PROSPECTUS

for the admission to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

and simultaneously on the

regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*)

of

360,121,736 ordinary bearer shares with no par value

International Securities Identification Number (ISIN): DE000BFB0019
German Securities Code (*Wertpapier-Kenn-Nummer*) (WKN): BFB 001
Trading Symbol: B4B

and of

2,975,517 preference bearer shares with no par value

International Securities Identification Number (ISIN): DE000BFB0027
German Securities Code (*Wertpapier-Kenn-Nummer*) (WKN): BFB 002
Trading Symbol: B4B3

– each of such shares with a *pro rata* amount of EUR 1.00 in the share capital and with full dividend rights for the financial year ending September 30, 2017 and for all subsequent financial years –

of

METRO Wholesale & Food Specialist AG

Dusseldorf, Germany

Listing Agents

BofA Merrill Lynch

J. P. Morgan

The date of the Prospectus is June 26, 2017

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I. SUMMARY OF THE PROSPECTUS

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention "not applicable".

A. Introduction and Warnings

A.1	**Warnings.**	This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the shares of the Company (as defined below) should be based on careful consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. With regard to the contents of this summary including any translation thereof, civil liability attaches to the persons who have assumed responsibility for the contents of this summary or who have arranged for the issuance (*von denen der Erlass ausgeht*), but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, all necessary key information. METRO Wholesale & Food Specialist AG (formerly METRO Wholesale & Food Specialist GmbH), Dusseldorf, Federal Republic of Germany ("**Germany**") registered with the commercial register maintained by the local court (*Amtsgericht*) of Dusseldorf, Germany, under HRB 79055 (hereinafter also the "**Company**" or "**MWFS AG**" and, together with the other companies of the combination group, "**we**", "**us**", "**our**", the "**MWFS Group**", the "**Group**" or "**MWFS**"), together with Merrill Lynch International, London, United Kingdom ("**BofA Merrill Lynch**"), and J. P. Morgan Securities plc, London, United Kingdom ("**J. P. Morgan**"), both acting as listing agents (the "**Listing Agents**" or the "**Banks**"), assume responsibility for the contents of this summary including its German translation pursuant to Section 5 (2b) No. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).
A.2	**Information and notice regarding the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.**	Not applicable. There will be no subsequent resale or final placement of the Company's shares by financial intermediaries which requires consent. Therefore, consent regarding the use of the Prospectus for a subsequent resale or final placement of the Company's shares by financial intermediaries has not been granted.

B.	The Issuer	
B.1	**Legal and commercial name.**	As of the date of the Prospectus, the Company's legal name is METRO Wholesale & Food Specialist AG. It is intended that the Company's legal name will be changed to "METRO AG" after the current parent company of MWFS AG, METRO AG, Dusseldorf, Germany, registered with the commercial register maintained by the local court (*Amtsgericht*) of Dusseldorf, Germany, under HRB 39473, (the "**Existing Shareholder**") will have changed its legal name to "CECONOMY AG". The Company's and the MWFS Group's commercial name is "METRO", which is currently also partly used by the Existing Shareholder and a few of its subsidiaries which are also expected to change their legal names. In addition, some of the Company's subsidiaries use other commercial names reflecting other important Group brands, in particular, "makro" and "real,-".
B.2	**Domicile, legal form, legislation, country of incorporation.**	The Company has its registered seat in Dusseldorf, Germany, and is registered with the commercial register maintained by the local court (*Amtsgericht*) of Dusseldorf, Germany, under HRB 79055. The Company is a German stock corporation incorporated in Germany and governed by German law.
B.3	**Description of, and key factors relating to, the nature of the issuer's current operations and principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.**	We are – in our assessment – a leading international player in wholesale and foodservice distribution ("**FSD**"), both in terms of sales and based on our extensive warehouse presence, and a leading retail player in the hypermarket segment of the German grocery retail market (according to the Panel Data of GfK SE based on 2016 sales; pursuant to definitions used by EHI Retail Institute GmbH, hypermarkets are retail formats with a selling space of at least 5,000 sqm offering food and non-food products; a hypermarket operator is defined as such when most of the stores it operates fall within the foregoing definition; for simplification purposes, we refer to all of our Real stores as hypermarkets, since the vast majority fulfills the definition criteria, although some of our stores have a smaller selling area). We are a strong international wholesale group with well-known brands such as "METRO" and "makro", a broad global presence (including 29 megacities) and extensive reach. Overall, we are present in 35 countries with our wholesale and FSD offerings across Western Europe, including Germany, Eastern Europe and Asia. We operate 751 warehouses in 25 countries while we serve the remaining ten countries only via FSD. In addition, we also have 79 delivery depots. We also provide FSD via recently acquired dedicated FSD businesses such as Classic Fine Foods group, Rungis express group and Pro à Pro group. In our German-based food retail business we operate 282 hypermarkets almost exclusively under the "real,-" brand across the country (all data as of March 31, 2017, unless otherwise indicated). Our business is carried out by two operating segments: the METRO Wholesale segment, which comprises our wholesale business (including warehouse and delivery) primarily for business-to-business ("**B2B**") customers, as well as the Real segment which comprises our German food retail business for business-to-consumer ("**B2C**") customers. In our METRO Wholesale segment, we generated EUR 29,000 million external sales (net) (or 79.3% of our total external sales (net)) and achieved an EBITDA Before Special

Items (as defined below under B.7) of EUR 1,464 million (corresponding to a margin of 5.0%) in the financial year 2015/2016 (as defined below under B.7). As of March 31, 2017, our METRO Wholesale segment had more than 100,000 employees working in highly-engaged teams, including over 7,000 sales representatives. As a multi-channel player we combine a broad, well-invested warehouse network with comprehensive FSD, out-of-store delivery, in-store order collection and transport after check-out as well as online shop capabilities which allow our customers to have their purchases delivered, buy in-store, or "click-and-collect". We believe that FSD is a growing and attractive business area.

We believe that our operating model, which centers on customer value and empowerment of our local organizations, fosters the creation of strong relationships with, and close proximity to, our B2B customer groups and provides a strong opportunity for the generation of additional value and a high share of recurring and predictable revenues. The B2B customers of our wholesale business are primarily small- and medium-sized businesses and individual entrepreneurs and mainly comprise (1) "**HoReCa**", which consist of hotels and hospitality businesses, restaurants, bars and cafés, caterers and canteen operators, (2) "**Trader**", which consist of small grocery stores, kiosks, street food traders and petrol stations as well as wholesalers, and (3) "**SCO**", which consist of a wide variety of professional service companies and organizations, such as service providers, offices and institutions. Our markets are segmented by customer group and by geography. Depending on our main customer focus in each country in line with our operating model, we gear a tailored offering adapted to specific customer patterns and needs to best capture local market opportunities.

In our Real segment, in the financial year 2015/2016, we generated EUR 7,478 million external sales (net) (or 20.5% of our total external sales (net)) and achieved an EBITDA Before Special Items of EUR 247 million (corresponding to a margin of 3.3%). With our Real retail business and its 282 hypermarkets, as of March 31, 2017, we are a leading hypermarket operator in Germany and were the fifth largest grocery retail operator in the country in terms of 2016 sales (source: Panel Data of GfK SE). Our hypermarkets offer a very broad product assortment comprising both food and several non-food product categories.

At Group level, we had sales of EUR 36,549 million, EBITDA Before Special Items of EUR 1,791 million and a profit of EUR 519 million in the financial year 2015/2016. Driven by proceeds from selected portfolio adjustments and our strong cash flow from operating activities, we reduced Net Indebtedness (as defined below under B.7) from EUR 6,535 million as of October 1, 2013 to EUR 3,051 million as of September 30, 2016.

Competitive Strengths

We believe that the following strengths and, in particular, their combination, distinguish us from our competitors and provide us with competitive advantages in the markets in which we operate:

- We are – in our assessment – a leading player in wholesale and FSD with a strong and diversified international presence;
- we focus on attractive underlying markets with solid fundamentals and growth potential;
- we are fully focused on customer value with highly engaged teams;
- we enable local empowerment fostered by our operating model with focus on local value creation and have undergone a successful strategic transformation;
- we have carried out a successful portfolio optimization and are focused on our core business; and
- we have a sound financial profile with substantial real estate underpin.

Strategy

Based on our operating model, our local companies develop and implement their individual value creation plans, which allow for transformation and growth according to local demands, with a central organization that supports local value creation and actively manages the portfolio. Based on the "bottom-up" value creation plans, we have identified five overarching strategic value levers for our wholesale business. In addition, we have defined and follow clear strategic priorities for our Real business.

Five Overarching Strategic Value Creation Levers for our Wholesale Business

- Capture the full potential of warehouse wholesale across our HoReCa, Trader and SCO customer groups, by (i) increasing warehouse differentiation, for example, with layouts specifically tailored for different customer groups and their respective needs, and (ii) changing from a centralized, "one-size-fits-all" growth model based on new warehouse openings to a sales growth model based on like-for-like sales as a main focus;
- Expand FSD and other delivery business, which we believe is an attractive complementary business to our core warehouse business, and which is a key channel for HoReCa customers in many of our markets and reinforces recurring relationships;
- Build up Trader franchising, which we believe contributes to create new growth opportunities in relevant markets,

for example, by expanding our Trader franchise programs in countries such as Poland, Romania and, in particular, Russia;

- Achieve operational excellence to lower our cost base and increase cash focus in our local companies; and
- Enhance knowledge transfer and develop new solutions and digital tools, including online ordering and an extended digital marketplace, as well as tools to enhance customer experience as well as efficiency.

Well-defined Strategic Priorities to Drive Future Growth of Real

- Focus on a stronger customer orientation, with modernization and layout redesign of our hypermarkets to increase sqm productivity including our new "food lover's" concept, a new hybrid store concept, which combines our customer-centric concept with the advantages of big shops catering for the specific needs of our prospective retail consumers;
- Select investments to place Real as a multi-channel retailer, to increase our ultra-fresh categories and extend our buying co-operations; and
- Increase cost efficiency by streamlining our management structures, leveraging intra-group synergies, restructuring our headquarter functions, establishing a new regional operational structure organized around three regions and securing competitive wage levels.

B.4a Description of the most significant recent trends affecting the issuer and the industries in which it operates.

We believe that the main markets which we serve are characterized by the following trends and drivers:

Economic growth, increasing population, urbanization, growing personal income and other demographic trends

According to a customized report on trends in the HoReCa and Trader markets entitled "IPO Research: Consumer Foodservice and Trader Forecast Model – Qualitative Insights Summary" dated May 2017 ("**Euromonitor Trend Report**"), economic growth (in terms of GDP) in the countries covered in such report contributes to positive performance in the HoReCa markets of such countries (taken together) as well as to spending growth in the Trader market. An increase of the total population and higher employment levels also contribute to growth both in the HoReCa and the Trader markets. With improving consumer confidence, there is a rise in consumer discretionary spending, including spending on foodservice, according to the same source. Increasing urbanization as well as increasing traveling (*e.g.*, global tourism and business traveling) contribute to growing foodservice demand and lead to an increasing level of out-of-home consumption (for example, consumption in restaurants, cafés, bars, hotels, etc.), especially in tourist areas, commercial centers and urban areas. This is why megacities are particularly important for our

business: we are currently present in 29 megacities predominantly in Europe and Asia. According to the Euromonitor Trend Report, an increasing urban population share in the total population also supports the popularity of convenience stores and forecourt retailers. In addition, according to the same source, consumers (especially the older generation) in urban areas tend to shop more frequently and in smaller amounts. They also prefer nearby shops, as they offer all necessities (or have options for goods to be delivered there) rather than drive to large supermarkets during busy hours. According to the Euromonitor Trend Report, the future growth of foodservice demand over the forecast period (until 2020) is expected to derive, in particular, from the persistence of the habit of eating out. An increase in disposable personal income also tends to result in a growing demand for high-quality products and a rise in consumer spending, including on modern retailing.

Increasing employment and working hours and a busier lifestyle

Increasing employment and busier lifestyles are leading to an increasing demand for top-up shopping (*i.e.*, grocery shopping trips made to fill gaps or supplement main grocery shopping trips) and "on the go" shopping. This development, in turn, leads to an increasing demand for convenience retailers, which is another driver for the Trader segment. The Euromonitor Trend Report expects that busy consumers will increasingly seek quick and convenient shopping in the 2016-2020 forecast period, and will prefer store formats that are easy to navigate through and that have extended opening hours, with online shopping also as an alternative. In addition, the Euromonitor Trend Report forecasts that spending on eating out will increase considerably in the next few years and the consumer habit of eating out will remain the strongest growth contributor in the 2016-2020 period.

Digitalization/The Connected Customer

According to the Euromonitor Trend Report, technological development results in further foodservice expansion (relevant for our HoReCa business), for example, by an increasing number of orders received over the Internet. To address these trends, we have introduced new digital solutions to enhance our customers' efficiency, thus making them more attractive and successful businesses. Such solutions include the investment in Culinary Agents (a networking and job matching site for food, beverage and hospitality professionals) and the launch of the "METRO Accelerator powered by Techstars" (a highly selective mentorship program for digital and technology startups across the entire value chain of hospitality and food tech) within our wholesale and foodservice business and multi-channel solutions in our Real retail business in Germany.

Sustainability

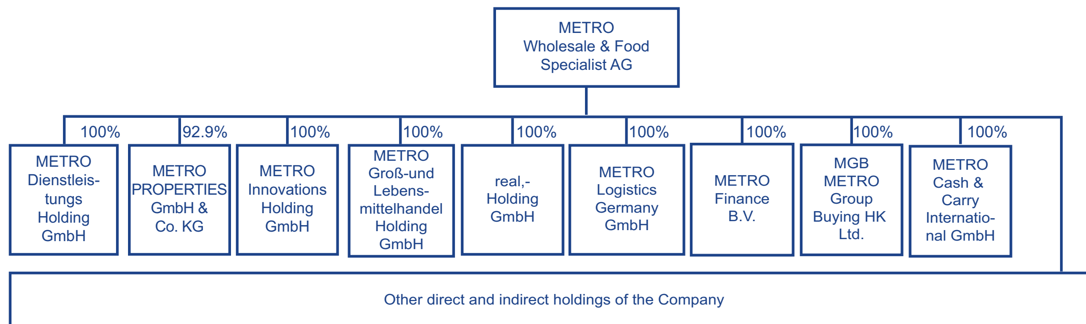
In many countries an increasing focus on organic and fair trade food and non-food products can be observed. Having a small

carbon-dioxide footprint is becoming more important as a differentiating factor from other competitors. As consumers increasingly factor in economic, environmental and social aspects in their purchase decisions, retailers will have to adapt their business strategy accordingly (source: KPMG AG Wirtschaftsprüfungsgesellschaft/EHI Retail: Consumer Markets, Trends im Handel 2020). To address this trend, we have, for example, developed and implemented certain guidelines for sustainable purchasing.

B.5	**Description of the group and the issuer's position within the group.**	Upon completion of the Demerger (as defined below under B.6), the MWFS Group shall be headed by the issuer, MWFS AG, with its registered office in Dusseldorf, Germany. The Company conducts its operational business through its subsidiaries and affiliates.

Simplified Structure of the MWFS Group

The following chart provides an overview of certain direct and indirect holdings of the Company immediately following the Demerger in simplified form:



B.6	**Persons who, directly or indirectly, have an interest in the issuer's capital or voting rights.**	Prior to completion of the Demerger the Existing Shareholder holds directly and indirectly through its wholly-owned subsidiary METRO Consumer Electronics Zwischenholding GmbH & Co. KG ("**ZH KG**") 100% of the ordinary bearer shares with no par value (*Stückaktien*) (the "**Ordinary Shares**") as well as 100% of the preference bearer shares with no par value (*Stückaktien*) (the "**Preference Shares**" and together with the Ordinary Shares, the "**Shares**") currently issued by the Company. As of the date of the Prospectus, the main shareholders of the Existing Shareholder are the shareholder groups Haniel, with approximately 24.996%, Schmidt-Ruthenbeck, with approximately 15.772%, and Beisheim, with approximately 9.100% of the voting rights in the Existing Shareholder, in each case based on the last available voting rights notification according to Sections 21 et seq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The remaining approximately 50.132% are held by other shareholders. The Demerger includes the transfer of parts of the MWFS wholesale as well as food retail business (the MWFS wholesale as well as food retail business hereinafter together the "**MWFS Business**") each as contribution in kind by way of a hive-down

as per Section 123 (3) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) ("**Hive-Down**") against a consideration of approximately 1.0% of the Shares in the Company (as will exist immediately after completion of the Demerger) to the Existing Shareholder and a spin-off for absorption as per Section 123 (2) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) against a consideration of approximately 90.0% of the Shares in the Company (as will exist immediately after completion of the Demerger) to the shareholders of the Existing Shareholder ("**Spin-Off**" and together with the Hive-Down, the "**Demerger**").

Upon completion of the Demerger, the Existing Shareholder will continue to hold approximately (i) 1.0% of each the Ordinary Shares and the Preference Shares directly and (ii) further 9.0% of each the Ordinary Shares and the Preference Shares indirectly via its wholly owned subsidiary ZH KG. The main shareholder groups Haniel, Schmidt-Ruthenbeck and Beisheim will hold approximately 22.496%, 14.194% and 8.19% of the Ordinary Shares, respectively.

Whether the issuer's major shareholders have different voting rights.

Each of the Ordinary Shares entitles the shareholder to one vote at the general shareholders' meeting of the Company.

Except as otherwise provided by law and the Company's articles of association, the Preference Shares do not entitle the shareholder to vote at the general shareholders' meeting.

Whether the issuer is directly or indirectly owned or controlled and by whom and description of the nature of control.

As of the date of the Prospectus, the Existing Shareholder controls directly and indirectly through its wholly-owned subsidiary ZH KG 100% of the voting rights in the Company due to its ownership and, resulting therefrom, its power to govern the financial and operating policies of the Company. Upon completion of the Demerger, the Existing Shareholder will directly and indirectly through ZH KG hold on aggregate approximately 10.0% of the Ordinary Shares and approximately 10.0% of the Preference Shares. At that point in time, the Existing Shareholder will only hold the rights vested with such minority shareholding.

B.7 Selected key historical financial information.

The following selected historical financial and business information of the MWFS Group as of and for the financial years ended September 30, 2016, 2015 and 2014 (the "**financial year 2015/2016**" or "**2015/2016**", "**financial year 2014/2015**" or "**2014/2015**" and "**financial year 2013/2014**" or "**2013/2014**", respectively) (i) if presented as "audited" is taken from the audited combined financial statements of the MWFS Group as of and for the financial years 2015/2016, 2014/2015 and 2013/2014 (the "**Audited Combined Financial Statements**") and, (ii) if presented as "unaudited", either derived from our Audited Combined Financial Statements, or taken or derived from our accounting records or our management reporting, including our internal management system, the so-called METRO data warehouse (the "**Data Warehouse**"). The Audited Combined Financial Statements were prepared by the Company in accordance with the International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union.

The following selected financial and business information of the Group as of and for the six-month periods ended March 31, 2017 and 2016 ("**six-month period 2016/2017**" or "**first half of 2016/2017**" and "**six-month period 2015/2016**" or "**first half of 2015/2016**", respectively) is taken or derived from our unaudited condensed combined interim financial statements as of and for the six-month period 2016/2017 (including comparative figures for the six-month period 2015/2016) (the "**Unaudited Condensed Combined Interim Financial Statements**" and together with the Audited Combined Financial Statements, the "**Combined Financial Statements**") or from our accounting records or our management reporting, including the Data Warehouse. The Unaudited Condensed Combined Interim Financial Statements were prepared by the Company in accordance with International Accounting Standard 34: Interim Financial Reporting (IAS 34).

The combination group for the Combined Financial Statements was defined on the basis of the economic activities of the Group. The Combined Financial Statements thus include those assets and liabilities as well as expenses and income of METRO Group (the Existing Shareholder together with its direct and indirect subsidiaries the "METRO Group") that were part of the economic activities of the MWFS Group in the past, *i.e.*, of the sales lines METRO Wholesale and Real as well as related service companies, all of which have been or will be transferred or spun-off to the MWFS Group as part of the legal reorganization of METRO Group. All economic activities of the combination group were under common control of the METRO AG.

Figures based on Data Warehouse are statistical and are prepared using a self-reporting customer classification system. For sales figures per customer group (i.e., HoReCa, Trader and SCO), such figures exclude non-strategic product categories (including tobacco, petrol and empties). Thus, deviations from financial information as reported in the Combined Financial Statements may occur.

Selected Financial Information from the Combined Income Statement

The following table shows selected financial information from our combined income statement for the six-month periods 2016/2017 and 2015/2016, and for the financial years 2015/2016, 2014/2015 and 2013/2014:

(in EUR million)	**For the six-month period**		**For the financial year**		
	2016/2017	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(unaudited)		**(audited)**		
Sales	**18,608**	**18,515**	**36,549**	**37,496**	**38,970**
Cost of sales	(15,095)	(14,976)	(29,560)	(30,421)	(31,668)
Gross profit on sales	**3,513**	**3,539**	**6,989**	**7,075**	**7,302**
Other operating income	562	938	1,462	1,264	1,357
Selling expenses	(3,030)	(3,061)	(6,171)	(6,350)	(6,680)
General administrative expenses	(483)	(486)	(1,058)	(992)	(861)
Other operating expenses	(65)	(58)	(105)	(137)	(119)
Earnings before interest and taxes EBIT	**504**	**874**	**1,219**	**860**	**999**
Net financial result	**(75)**	**(207)**	**(325)**	**(394)**	**(530)**
Combined earnings before taxes EBT	**429**	**667**	**894**	**466**	**469**
Combined profit or loss for the period after taxes	**179**	**333**	**519**	**265**	**56**

Selected Financial Information from the Combined Balance Sheet

The following table shows selected financial information from our combined balance sheet as of March 31, 2017 and as of September 30, 2016, 2015 and 2014:

(in EUR million)	As of March 31, 2017	As of September 30, 2016	2015	2014
	(unaudited)	(audited)		
Non-current assets	**9,545**	**9,434**	**9,284**	**9,396**
Goodwill	881	852	804	651
Property, plant and equipment	7,025	6,979	6,833	7,250
Deferred tax assets	524	509	583	537
Current assets	**6,508**	**6,558**	**9,441**	**7,707**
Inventories	3,309	3,063	3,117	3,224
Other financial and non-financial assets	1,314	1,280	2,115	1,941
Cash and cash-equivalents	1,236	1,599	3,436	1,512
Assets	**16,053**	**15,992**	**18,725**	**17,103**
Equity	**3,254**	**2,924**	**2,651**	**826**
Non-current liabilities	**4,764**	**4,954**	**5,834**	**5,209**
Borrowings	3,671	3,796	4,714	4,163
Current liabilities	**8,035**	**8,114**	**10,240**	**11,068**
Trade liabilities	4,601	4,892	5,011	5,218
Borrowings	1,497	944	2,961	3,425
Other financial and non-financial liabilities	1,098	1,591	1,459	1,490
Equity and liabilities	**16,053**	**15,992**	**18,725**	**17,103**

Selected Financial Information from the Combined Cash Flow Statement

The following table shows selected financial information from our combined cash flow statement for the six-month periods 2016/2017 and 2015/2016, and for the financial years 2015/2016, 2014/2015 and 2013/2014:

(in EUR million)	For the six-month period 2016/2017	2015/2016	For the financial year 2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
Cash flow from operating activities	**(135)**	**181**	**1,173**	**1,252**	**1,124**
Cash flow from investing activities	**(334)**	**155**	**512**	**(827)**	**(391)**
Cash flow from financing activities	**95**	**(2,396)**	**(3,513)**	**1,487**	**(729)**
Currency effects on cash and cash equivalents	10	(15)	(11)	12	4
Total change in cash and cash equivalents	**(364)**	**(2,075)**	**(1,839)**	**1,924**	**8**
Cash and cash equivalents as of the beginning of the period	**1,599**	**3,436**	**3,436**	**1,512**	**1,506**
Cash and cash equivalents as of the end of the period	**1,236**	**1,363**	**1,599**	**3,436**	**1,512**

Selected Other Key Financial Data

The following tables show selected other key financial data for the Group and, as applicable, for our segments as of and for the six-month periods 2016/2017 and 2015/2016 and the financial years 2015/2016, 2014/2015 and 2013/2014, respectively. Certain of the following figures, financial measures and adjustments are not presented in accordance with IFRS or any other generally accepted accounting principles. These non-IFRS measures are defined by us and may not be comparable to similar measures used by other companies.

(in EUR million, unless otherwise indicated)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(unaudited, unless otherwise indicated)		
External sales (net)	**18,608**	**18,515**	**36,549***	**37,496***	**38,970***
thereof METRO Wholesale	14,867	14,535	29,000*	29,692*	30,516*
thereof Real	3,718	3,945	7,478*	7,736*	8,390*
thereof Others	22	36	72*	67*	64*
Like-for-like Sales Growth (in %)[1]	(0.4)%	0.1%	0.2%	0.6%	0.6%
thereof METRO Wholesale	0.4%	0.3%	0.6%	0.9%	1.0%
thereof Real	(3.4)%	(0.6)%	(1.1)%	(0.8)%	(0.8)%
Delivery Sales Share (in % of total METRO Wholesale external sales (net))[2]	14.2%	11.8%	12.8%	10.6%	9.4%
EBITDA[3]	859	1,207	1,918*	1,606*	1,753*
thereof METRO Wholesale	755	1,079	1,700*	1,455*	1,460*
thereof Real	93	138	250*	142*	175*
EBITDA-margin (in % of sales)[3]	4.6%	6.5%	5.2%	4.3%	4.5%
thereof METRO Wholesale (in % of external sales (net))	5.1%	7.4%	5.9%	4.9%	4.8%
thereof Real (in % of external sales (net))	2.5%	3.5%	3.3%	1.8%	2.1%
EBITDA Before Special Items[4]	956	836	1,791*	1,771*	1,957*
thereof METRO Wholesale	777	707	1,464*	1,461*	1,546*
thereof Real	140	138	247*	222*	219*
EBITDA Before Special Items-margin (in % of sales)[4]	5.1%	4.5%	4.9%	4.7%	5.0%
thereof METRO Wholesale (in % of external sales (net))	5.2%	4.9%	5.0%	4.9%	5.1%
thereof Real (in % of external sales (net))	3.8%	3.5%	3.3%	2.9%	2.6%
EBIT[5]	504	874	1,219*	860*	999*
thereof METRO Wholesale	534	872	1,271*	1,013*	999*
thereof Real	24	69	108*	10*	28*
EBIT-margin (in % of sales)[5]	2.7%	4.7%	3.3%	2.3%	2.6%
thereof METRO Wholesale (in % of external sales (net))	3.6%	6.0%	4.4%	3.4%	3.3%
thereof Real (in % of external sales (net))	0.6%	1.7%	1.4%	0.1%	0.3%
EBIT Before Special Items[6]	610	502	1,106*	1,081*	1,275*
thereof METRO Wholesale	565	499	1,048*	1,061*	1,131*
thereof Real	70	69	105*	93*	90*
EBIT Before Special Items-margin (in % of sales)[6]	3.3%	2.7%	3.0%	2.9%	3.3%
thereof METRO Wholesale (in % of external sales (net))	3.8%	3.4%	3.6%	3.6%	3.7%
thereof Real (in % of external sales (net))	1.9%	1.7%	1.4%	1.2%	1.1%
Net Working Capital (as of the balance sheet date)[7]	(205)	(461)	(774)	(884)	(1,000)
Net Indebtedness (as of the balance sheet date)[8]	3,902	3,516	3,051	3,815	6,069
Free Cash Flow[9]	20	(5)	632	726	901
Earnings per share (in EUR)[10]	0.45	0.89	1.39*	0.70*	0.11*

* Audited.

1 Like-for-like Sales Growth (in %) represents sales growth on a comparable basis with respect to a comparable group of locations (*i.e.*, warehouses and/or hypermarkets) or continued business concepts in constant average currency (prior financial year figures translated at current financial year's exchange rates). This only includes the sales of locations that were neither newly opened during the reporting year or the preceding year nor closed or

divested from, and whose business was not substantially affected by changes in its selling area as a result of remodeling, or by other changes in concept. Delivery Sales (as defined below) are included in like-for-like sales unless they are generated in a location which is not part of the like-for-like portfolio in the respective period or arise from new depots opened to address mainly new customers. Online sales are generally part of like-for-like sales. Sales attributable to an acquired company are only included in like-for-like sales after a full financial year of operations under our control.

[2] "Delivery Sales" comprise sales from FSD, out-of-store delivery, order collection and transport after check-out and include acquired companies (for example, Classic Fine Foods group, Rungis express group and Pro à Pro group) as from their respective first time combination (based on Data Warehouse). Delivery Sales Share is defined as our Delivery Sales for a certain period as percentage of our total METRO Wholesale external sales (net).

[3] EBITDA is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operating companies recognized at equity, other investment result, depreciation / amortization / impairment losses and reversals of impairment losses. EBITDA-margin is calculated, on a group level, as the percentage of total sales and, on a segment level, as the percentage of external sales (net) of the respective segment.

The following table shows for the periods indicated a reconciliation of EBITDA to combined profit or loss as shown in our Audited Combined Financial Statements and Unaudited Condensed Combined Interim Financial Statements, respectively:

	For the six-month period		For the financial year		
(in EUR million)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(unaudited)		**(audited)**		
EBITDA	**859**	**1,207**	**1,918**	**1,606**	**1,753**
Depreciation / amortization / impairment losses	(357)	(343)	(710)	(760)	(764)
Reversals of impairment losses	2	10	11	14	10
Earnings share of non-operating companies recognized at equity	0	3	3	2	9
Other investment result	(7)	0	(3)	1	78
Interest income	14	22	65	55	42
Interest expenses	(99)	(139)	(276)	(309)	(404)
Other financial result	18	(93)	(114)	(143)	(255)
Income taxes	(250)	(334)	(375)	(201)	(413)
Combined profit or loss for the period	**179**	**333**	**519**	**265**	**56**

[4] EBITDA Before Special Items is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operating companies recognized at equity, other investment result, depreciation / amortization / impairment losses, reversals of impairment losses and special items. EBITDA Before Special Items-margin is calculated, on a group level, as the percentage of total sales and, on a segment level, as the percentage of external sales (net) of the respective segment.

Special items in segment reporting on EBITDA-level include transactions that do not recur on a regular basis such as (i) changes to the combination portfolio, (ii) restructuring and efficiency-enhancing measures, (iii) risk provisions and (iv) certain other special items, in particular, litigation expenses.

The following table shows for the periods indicated a breakdown of the special items on EBITDA-level per category:

	For the six-month period		For the financial year		
(in EUR million)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(unaudited)		**(audited)**		
Special Items	**96**	**(370)**	**(127)**	**165**	**204**
thereof changes in the combination portfolio	0	(444)	(454)	(51)	(4)
thereof restructuring and efficiency-enhancing measures	69	76	283	169	138
thereof risk provisions	—	—	0	14	0
thereof other special items	27	(2)	45	32	70

The following table shows for the periods indicated a reconciliation of EBITDA Before Special Items to combined profit or loss as shown in our Audited Combined Financial Statements and Unaudited Condensed Combined Interim Financial Statements, respectively:

(in EUR million)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
EBITDA Before Special Items	**956**	**836**	**1,791**	**1,771**	**1,957**
Special Items	(96)	370	127	(165)	(204)
thereof METRO Wholesale	(22)	372	236	(7)	(86)
thereof Real	(47)	0	3	(80)	(43)
thereof Others	(28)	(1)	(112)	(77)	(79)
thereof Consolidation	0	0	0	(1)	4
Depreciation/amortization/ impairment losses	(357)	(343)	(710)	(760)	(764)
Reversals of impairment losses	2	10	11	14	10
Earnings share of non-operating companies recognized at equity	0	3	3	2	9
Other investment result	(7)	0	(3)	1	78
Interest income	14	22	65	55	42
Interest expenses	(99)	(139)	(276)	(309)	(404)
Other financial result	18	(93)	(114)	(143)	(255)
Income taxes	(250)	(334)	(375)	(201)	(413)
Combined profit or loss for the period	**179**	**333**	**519**	**265**	**56**

5 EBIT is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operating companies recognized at equity and other investment result. EBIT-margin is calculated, on a group level, as the percentage of total sales and, on a segment level, as the percentage of external sales (net) of the respective segment.

6 EBIT Before Special Items is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operating companies recognized at equity, other investment result and special items. EBIT Before Special Items-margin is calculated, on a group level, as the percentage of total sales and, on a segment level, as the percentage of external sales (net) of the respective segment.

Special items in segment reporting on EBIT-level include transactions that do not recur on a regular basis such as (i) changes to the combination portfolio, (ii) restructuring and efficiency-enhancing measures, (iii) risk provisions and (iv) certain other special items, in particular, litigation expenses.

The following table shows for the periods indicated a breakdown of the special items on EBIT-level per category:

(in EUR million)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
Special Items	**106**	**(372)**	**(113)**	**221**	**275**
thereof changes in the combination portfolio	0	(444)	(454)	(49)	25
thereof restructuring and efficiency-enhancing measures	79	75	296	201	168
thereof risk provisions	—	—	0	26	0
thereof other special items	27	(2)	45	42	83

The following table shows for the periods indicated a reconciliation of EBIT Before Special Items to EBIT as shown in our Audited Combined Financial Statements and Unaudited Condensed Combined Interim Financial Statements, respectively:

(in EUR million)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
EBIT Before Special Items	**610**	**502**	**1,106**	**1,081**	**1,275**
Special Items	(106)	372	113	(221)	(275)
thereof METRO Wholesale	(31)	373	222	(48)	(133)
thereof Real	(47)	0	3	(83)	(62)
thereof Others	(28)	(1)	(112)	(89)	(85)
thereof Consolidation	0	0	0	(1)	4
EBIT	**504**	**874**	**1,219**	**860**	**999**

7 Net Working Capital is defined as the balance of inventories, trade receivables, trade payables and receivables from supplier credits.

[8] Net Indebtedness is defined as borrowings including finance lease obligations less cash and cash equivalents and less short-term financial investments.

[9] Free Cash Flow is defined as EBITDA less investments excluding additions to finance leases plus or minus, as the case may be, change in Net Working Capital. In the financial year 2015/2016 and the six-month period 2015/2016, Free Cash Flow included income from the disposal of our wholesale activities in Vietnam which has been adjusted in order to better reflect our operating performance and the underlying cash conversion in the respective period.

[10] Earnings Per Share is defined as our combined profit or loss for the period divided by the number of Shares expected to exist as of the date of the Listing (as defined below under C.6) and is calculated on the basis of a total number of 363,097,253 Shares. As no such shares existed in the periods under review, this is not a required disclosure under IFRS.

Significant changes to the issuer's financial position and operating results.

Recent Developments

We had a promising start of the third quarter of the financial year ending September 30, 2017: In particular, the sales attributable to our METRO Wholesale segment continued their positive development having increased as compared to previous financial year's period on a like-for-like basis. This development was driven, in particular, by Easter business in April 2017 (vis-à-vis March 2016) which generally had a positive effect on our sales in countries with a predominately Catholic population. Also, our food delivery business continued to perform well. In addition, foreign exchange rate effects, most notably related to the stabilized Russian Ruble, had a positive effect on our sales since March 31, 2017. After a challenging first half of 2016/2017, sales attributable to our Real segment experienced an improvement at the beginning of the third quarter of the financial year ending September 30, 2017, and, on a like-for-like basis, increased as compared to the previous financial year's period underpinned by a strong Easter business in April 2017 as well as certain calendar effects. In addition, the continued growth of our Real online business contributed to this sales development.

Six-Month Periods 2016/2017 and 2015/2016

In the six-month period 2016/2017, our sales increased by EUR 92 million, or 0.5%, to EUR 18,608 million from EUR 18,515 million in the six-month period 2015/2016.

The main reason for this increase was the increase of external sales (net) attributable to our METRO Wholesale segment which increased by EUR 332 million, or 2.3%, to EUR 14,867 million in the six-month period 2016/2017 from EUR 14,535 million in the six-month period 2015/2016. This increase was mainly due to a significant increase of the Delivery Sales attributable to our METRO Wholesale segment. Delivery Sales increased from approximately EUR 1.7 billion in the six-month period 2015/2016 to approximately EUR 2.1 billion in the six-month period 2016/2017. This increase was to some extent due to the acquisition of the Rungis express group with effect as of April 1, 2016 (external sales (net) of EUR 68 million attributable to our METRO Wholesale segment in the first half of 2016/2017 since first time consolidation) and of the Pro à Pro group with effect as of February 1, 2017 (external sales (net) of EUR 124 million attributable to our METRO Wholesale segment in the first half of 2016/2017 since first time consolidation) which resulted in additional Delivery Sales in the six-month period 2016/2017 as compared to the six-month period 2015/2016. Irrespective of the aforementioned acquisitions, our delivery business also

realized significant organic growth in the six-month period 2016/2017 driven by leveraging our existing warehouse network through out-of-store delivery capabilities and expanding our delivery depot network.

Furthermore, foreign exchange rate fluctuations had a positive effect on the METRO Wholesale segment's external sales (net) in the six-month period 2016/2017. On a constant currency basis, *i.e.*, when translating foreign currency sales in the six-month period 2015/2016 using the average exchange rates for the six-month period 2016/2017, the increase in METRO Wholesale segment's external sales (net) in the six-month period 2016/2017 would have been EUR 165 million lower. This effect on sales from foreign exchange rate fluctuations was attributable to the strengthening primarily of the Russian Ruble but also the Pakistani and Indian Rupee as well as the Japanese Yen which overcompensated the negative currency effects resulting mainly from the depreciation of the Turkish Lira, Chinese Renminbi, Ukrainian Hryvnia, Romanian Lej and Polish Zloty in the six-month period 2016/2017.

An opposing effect resulted from the disposal of our wholesale activities in Vietnam in December 2015. Consequently, until this date the wholesale activities in Vietnam still contributed to our sales in the amount of EUR 118 million for the six-month period 2015/2016, whereas it did not contribute any sales in the six-month period 2016/2017.

On a like-for-like basis, our sales attributable to our METRO Wholesale segment in the six-month period 2016/2017 increased by 0.4% as compared to the six-month period 2015/2016 despite certain calender effects including one less selling day in the six-month period 2016/2017 as compared to the six-month period 2015/2016 which was a leap year as well as the Easter business, being in April 2017 (*i.e.*, in the third quarter of our financial year) vis-à-vis March 2016 (*i.e.*, in the second quarter of our financial year). Like-for-like sales in local currency increased most notably in Turkey, China, Ukraine, India, Pakistan and Romania while like-for-like sales declined most notably in Germany and the Netherlands due to the continued transformation and the challenging market environment in such countries. Russia, on a like-for-like and constant currency basis, also performed below previous year's level in the six-month period 2016/2017 due to a challenging market environment with high levels of price investments such as promotions or rebates.

External sales (net) attributable to our Real segment decreased by EUR 226 million, or 5.7%, to EUR 3,718 million in the six-month period 2016/2017 from EUR 3,945 million in the six-month period 2015/2016. This decrease of our Real segment's external sales (net) was to a significant extent due to the closure of nine hypermarkets and, in addition, the calendar effects as set out above. On a like-for-like basis, sales attributable to the Real segment in the six-month period 2016/2017 decreased less pronounced by 3.4% in yet again very challenging market conditions characterized by intense competition, and due to the calender effects described above.

A balancing effect resulted from the positive development of online sales attributable to the Real segment which increased to approximately EUR 53 million in the first half of 2016/2017 as compared to approximately EUR 37 million in the first half of 2015/2016 driven, in particular, by organic growth, as well as the acquisition of "Hitmeister.de" and subsequent integration into our online platform "real.de" in February 2017.

In the six-month period 2016/2017, our earnings before interest and taxes (EBIT) decreased by EUR 369 million, or 42.3%, to EUR 504 million from EUR 874 million in the six-month period 2015/2016. Expressed as a percentage of sales, our EBIT decreased from 4.7% in the six-month period 2015/2016 to 2.7% in the six-month period 2016/2017.

In absolute terms, this EBIT decrease was to the largest part attributable to our METRO Wholesale segment where segment EBIT decreased by EUR 338 million, or 38.8%, to EUR 534 million in the six-month period 2016/2017 from EUR 872 million in the six-month period 2015/2016. This decrease was particularly driven by the aforementioned disposal of our wholesale activities in Vietnam in December 2015 with an EBIT contribution resulting from the deconsolidation of EUR 437 million in the six-month period 2015/2016 and no such effect in the six-month period 2016/2017. Due to its non-recurring nature, this disposal was classified as a special item on EBIT-level. In contrast, in the six-month period 2016/2017, special items primarily concerned expenses from restructuring measures, among others related to planned warehouse closures, and efficiency-enhancing measures of which a significant part related to an adjustment of our overall assortment in Belgium as well as costs in connection with the reorganization of certain holding functions at our headquarters in Dusseldorf. In the aggregate, our METRO Wholesale segment recorded positive special items on EBIT-level in first half of 2015/2016 of EUR 373 million, whereas in the first half of 2016/2017 expenses of EUR 31 million were classified as special items on EBIT-level.

When eliminating the effects of those special items on EBIT-level, EBIT Before Special Items attributable to our METRO Wholesale segment increased by EUR 66 million, or 13.2%, to EUR 565 million in the six-month period 2016/2017 from EUR 499 million in the six-month period 2015/2016. This improvement was mainly due to the EBIT contribution of EUR 81 million from a real estate transaction in China and beneficial exchange rate effects mainly related to the Russian Ruble which positively affected our EBIT Before Special Items. In addition, savings from the reorganization of our headquarters in Dusseldorf initiated in the financial year 2015/2016, the strong operating performance of select countries such as China, Turkey, Romania and Poland and, to a lesser extent, the first time consolidation of the Pro à Pro group positively affected our EBIT Before Special Items attributable to the METRO Wholesale segment. In contrast, intense price competition, particularly in Russia, as well as certain warehouse remodelings particularly in the Netherlands and Belgium negatively impacted our EBIT Before Special Items in the first half of 2016/2017. A minor negative effect also

resulted from the disposal of our wholesale activities in Vietnam which impacted our EBIT Before Special Items because the business had contributed EUR 7 million to our EBIT Before Special Items in the first half of 2015/2016 with no such contribution in the first half of 2016/2017.

EBIT attributable to our Real segment decreased by EUR 45 million, or 65.6%, to EUR 24 million in the six-month period 2016/2017 from EUR 69 million in the six-month period 2015/2016 as the segment's EBIT in the six-month period 2016/2017 was particularly affected by expenses of EUR 47 million classified as special items on EBIT-level that were predominantly related to the reorganization and restructuring of Real's administrative functions which is expected to include a reduction of up to 500 FTE until mid-2018. When eliminating those effects from special items on EBIT-level, EBIT Before Special Items of the Real segment increased slightly from EUR 69 million in the six-month period 2015/2016 by EUR 1 million, or 2.0%, to EUR 70 million due to the closure of loss-making hypermarkets, improved purchasing conditions, a one-time gain from divesting the real estate housing the Real headquarters in Mönchengladbach within the course of the headquarters restructuring, reduced personnel expenses and impacts from collaborating with the trading and service co-operation Markant.

EBIT of our Others segment increased by EUR 13 million, or 20.0% to EUR (51) million in the first half of 2016/2017 as compared to EUR (64) million in the first half of 2015/2016. In the six-month period 2016/2017, EBIT of our Others segment was impacted by higher expenses which were classified as special items on EBIT-level and which amounted to EUR 28 million in the six-month period 2016/2017 and mainly related to one-time expenses in connection with the preparation and implementation of the Demerger and Listing, compared to negative special items of EUR 1 million in the six-month period 2015/2016. When eliminating those effects from special items on EBIT-level, the Others segment's EBIT Before Special Items improved by EUR 39 million, or 62.8%, from EUR (62) million in the six-month period 2015/2016 to EUR (23) million in the six-month period 2016/2017. This increase of EBIT Before Special Items of our Others segment resulted mainly from the sale of a partial ownership of a property in Munich in the first half of 2016/2017 (EUR 42 million) which has been mainly utilized by Media-Saturn and which was partially offset by higher costs, among these higher spending on certain innovation projects related to our HoReCa digital unit.

Financial Years 2015/2016 and 2014/2015

In the financial year 2015/2016, our sales decreased by EUR 946 million, or 2.5%, to EUR 36,549 million from EUR 37,496 million in the financial year 2014/2015.

The main reason for this decrease was a decline of sales attributable to our METRO Wholesale segment where external sales (net) decreased by EUR 693 million, or 2.3%, to EUR 29,000 million in 2015/2016 from EUR 29,692 million in 2014/2015. This decrease of our METRO Wholesale segment's external sales (net) was to a significant extent due to negative

effects from foreign exchange rate fluctuations, as well as, to a more minor extent, to select disposals including, most notably, the disposal of our wholesale activities in Vietnam. In particular, effects from foreign exchange rate fluctuations negatively affected METRO Wholesale segment's external sales (net) in 2015/2016 as compared to 2014/2015. On a constant currency basis, *i.e.*, when translating foreign currency sales in the financial year 2014/2015 using the average exchange rates for the financial year 2015/2016, the decrease of our METRO Wholesale segment's external sales (net) would have been EUR 803 million lower. These effects from foreign exchange rate fluctuations on our sales were predominantly related to the continued depreciation of the Russian Ruble against the Euro. The Ukrainian Hryvnia, Turkish Lira and Chinese Renminbi also depreciated in 2015/2016 negatively impacting our sales reported in Euro. The disposal of our wholesale activities in Vietnam was completed in December 2015, meaning that, in the financial year 2015/2016, this business only contributed to our sales for three full months, whereas it contributed to our sales for the entire period of the prior financial year. As a consequence, the disposal negatively impacted the external sales (net) of our METRO Wholesale segment as there was a sales contribution from the disposed business of EUR 118 million in 2015/2016 as compared to a sales contribution of EUR 507 million in 2014/2015.

These negative effects were partly compensated by a significant increase of the Delivery Sales attributable to our METRO Wholesale segment. Delivery Sales increased from approximately EUR 3,100 million in 2014/2015 to approximately EUR 3,700 million in 2015/2016. This increase was to some extent due to the acquisition of the Classic Fine Foods group which we consolidated on September 1, 2015 for the first time, meaning that sales attributable to this business only were included in 2014/2015 for one month, whereas this business contributed to our sales in 2015/2016 for the entire period. Furthermore, the acquisition of the Rungis express group with effect as of April 1, 2016 resulted in additional Delivery Sales through initial sales contributions for six months in 2015/2016. Our delivery business also realized significant organic growth in 2015/2016 by leveraging our existing warehouse network through out-of-store delivery capabilities and expanding our delivery depot network. From a customer perspective, the delivery business has been primarily driven by an increased sales share with HoReCa customers in this period as compared to the prior financial year. Furthermore, warehouse openings, predominantly in our key expansion countries including Russia, China and India also positively contributed to our METRO Wholesale external sales (net) in 2015/2016 as compared to the previous financial year.

External sales (net) attributable to our Real segment also decreased by EUR 259 million, or 3.3%, to EUR 7,478 million in 2015/2016 from EUR 7,736 million in 2014/2015 mainly due to portfolio optimizations, in particular, closure of select underperforming hypermarkets in the context of the strategic repositioning of Real in the German food retail market by which we reduced the overall number of hypermarkets from

293 as of September 30, 2015 to 285 as of September 30, 2016. On a like-for-like basis, sales attributable to the Real segment in 2015/2016 decreased less pronounced by 1.1% in yet again very challenging market conditions characterized by intense competition. This development was partly attributable to the modernization of additional 57 hypermarkets in 2014/2015 as part of our Big Bang program, effects from the 50 hypermarkets modernized in the previous financial year as well as our renewed emphasis on customer centricity and sqm productivity; measures which were initiated in 2014/2015 and which showed increasingly positive effects in 2015/2016.

In the financial year 2015/2016, our earnings before interest and taxes (EBIT) increased by EUR 358 million, or 41.6%, to EUR 1,219 million from EUR 860 million in the financial year 2014/2015. Expressed as a percentage of sales, our EBIT increased from 2.3% in 2014/2015 to 3.3% in 2015/2016.

In absolute terms, this strong EBIT increase was to the largest part attributable to our METRO Wholesale segment where segment EBIT increased by EUR 258 million, or 25.5%, to EUR 1,271 million in 2015/2016 from EUR 1,013 million in 2014/2015. This increase was particularly driven by the aforementioned disposal of our wholesale activities in Vietnam in December 2015 with an EBIT contribution resulting from the deconsolidation of EUR 446 million in 2015/2016. Due to its non-recurring and extraordinary nature, this disposal was classified as a special item on EBIT-level whose positive effects, however, were partly offset by other special items concerning expenses from restructuring and efficiency-enhancing measures. In both financial years, these (negative) special items on EBIT-level concerned mainly planned warehouse closures, among others at METRO Cash & Carry Germany and, in 2015/2016 other restructuring measures related to the implementation of our value creation plans in Belgium and the Netherlands. In the aggregate, our METRO Wholesale segment recorded positive special items on EBIT-level in 2015/2016 of EUR 222 million, whereas in the prior financial year expenses of EUR 48 million were classified as negative special items on EBIT-level.

When eliminating the effects of those special items on EBIT-level, EBIT Before Special Items attributable to our METRO Wholesale segment decreased by EUR 12 million, or 1.2%, to EUR 1,048 million in the financial year 2015/2016 from EUR 1,061 million in the financial year 2014/2015, mainly as result of the negative foreign exchange rate effects from the depreciation of local currencies. On a constant foreign exchange rate-basis, our METRO Wholesale segment achieved an EBIT Before Special Items improvement compared with the previous financial year, mainly due to the efficiency gains and first positive impacts from our portfolio optimizations.

EBIT attributable to our Real segment increased by EUR 98 million to EUR 108 million in 2015/2016 from EUR 10 million in 2014/2015 as the segment EBIT in the financial year 2014/2015 was particularly affected by expenses of EUR 83 million classified as special items on EBIT-level that

were largely related to select hypermarket closures as set out above. In contrast, in 2015/2016, special items on EBIT-level attributable to the Real segment were positive and amounted to EUR 3 million. When eliminating those effects from special items on EBIT-level, EBIT Before Special Items of the Real segment also increased, but less pronounced, from EUR 93 million in 2014/2015 by EUR 12 million, or 13.1%, to EUR 105 million, among others from effects of a tariff agreement (*Zukunftstarifvertrag*) with ver.di, a German trade union, and collaborating with the trading and service co-operations Markant and PHD with respect to, for example, joint purchasing and settlement.

EBIT of our Others segment remained virtually stable with EUR (156) million in the financial year 2015/2016 as compared to EUR (155) million in the prior financial year.

Financial Years 2014/2015 and 2013/2014

In the financial year 2014/2015, our sales decreased by EUR 1,474 million, or 3.8%, to EUR 37,496 million from EUR 38,970 million in the financial year 2013/2014.

The main reason for this decrease was a decline of sales attributable to our METRO Wholesale segment where external sales (net) decreased by EUR 823 million, or 2.7%, to EUR 29,692 million in 2014/2015 from EUR 30,516 million in 2013/2014. This decrease of our METRO Wholesale segment's external sales (net) was to a significant extent due to negative effects from foreign exchange rate fluctuations related, in particular, to the Russian Ruble, as well as to select disposals including our wholesale activities in Greece and the discontinuation of our wholesale activities in Egypt (in February 2014) and in Denmark (in December 2014).

These negative effects were partly compensated by an increase of the Delivery Sales. Delivery Sales increased from approximately EUR 2,900 million in 2013/2014 to approximately EUR 3,100 million in 2014/2015. The major part of the increase resulted from continued growth of our out-of-store delivery services, particularly in China and markets with a strong HoReCa focus such as Germany, France and Italy, whereas only a small part was attributable to the acquisition of the Classic Fine Foods group which contributed to our sales in 2014/2015 only for one full month due to its first-time combination on September 1, 2015.

External sales (net) attributable to the Real segment decreased by EUR 654 million, or 7.8%, to EUR 7,736 million in 2014/2015 from EUR 8,390 million in 2013/2014. This decrease was mainly due to the disposal of the segment's Polish and Turkish businesses which had still partly contributed to sales in 2013/2014. In addition, the ongoing optimization of Real's hypermarket network in Germany led to 14 hypermarket closures in 2014/2015 and also negatively impacted sales. On a like-for-like basis, sales of Real in Germany fell by 0.8% in 2014/2015 as compared to the previous financial year, in particular, due to persistently intense competition in the food retail market and changing consumer preferences. However,

sales volume and customer traffic were positively impacted by our hypermarket modernization program based on the modernization at 50 locations during the course of 2013/2014.

In the financial year 2014/2015, our earnings before interest and taxes (EBIT) decreased by EUR 139 million, or 13.9%, to EUR 860 million from EUR 999 million in the financial year 2013/2014. Expressed as a percentage of sales, our EBIT decreased from 2.6% in 2013/2014 to 2.3% in 2014/2015.

This EBIT decrease, both in absolute and in relative terms, was related primarily to our Others segment where segment EBIT decreased by EUR 123 million from EUR (32) million in 2013/2014 to EUR (155) million in 2014/2015, in particular, due to one-time expenses in connection with the realignment of logistics structures in Germany. However, even when eliminating the effects of those and other special items on EBIT-level (which in 2013/2014 largely concerned risk provisions for legal disputes and rental guarantees), EBIT Before Special Items of our Others segment also significantly decreased by EUR 119 million to EUR (66) million in 2014/2015 from EUR 53 million in 2013/2014. In particular, higher project costs for transfer pricing, logistics strategy, legal advice fees and consulting for setting up our first accelerator program as well as additional rental expenses and lower rental income negatively impacted our Others segment in 2014/2015. Further cost increases resulted from setting up of new functions such as business innovation and the ramp-up of the IT strategy department, as well as advisor costs related to the preparation of the Classic Fine Food acquisition.

In addition, EBIT attributable to our Real segment decreased by EUR 18 million to EUR 10 million in 2014/2015 from EUR 28 million in 2013/2014. This decrease was related, in particular, to the continued restructuring measures recorded for as special items on EBIT-level which in both financial years largely related to hypermarket closures. When eliminating special items on EBIT-level, the Real segment's EBIT Before Special Items increased by EUR 3 million, or 3.6%, from EUR 90 million in 2013/2014 to EUR 93 million in 2014/2015. This increase was particularly due to negative earnings contributions from Real Poland which until the second quarter still affected 2013/2014.

As an opposing effect, EBIT attributable to our METRO Wholesale segment increased by EUR 14 million, or 1.4%, to EUR 1,013 million in 2014/2015 from EUR 999 million in 2013/2014. This increase, however, was mainly a result of reduced extraordinary expenses reported as special items on EBIT-level which in 2014/2015 primarily related to restructuring and efficiency-enhancing measures, among others at METRO Cash & Carry Germany. In the financial year 2013/2014, special items on EBIT-level essentially stemmed from portfolio measures and restructuring expenses as well as expenses for warehouse closures, primarily related to restructurings in Belgium and the Netherlands, our withdrawal from the Danish market in December 2014 as well as restructurings of METRO Cash & Carry Germany. When eliminating the effects from

		special items on EBIT-level, EBIT Before Special Items attributable to the METRO Wholesale segment decreased by EUR 71 million, or 6.3%, from EUR 1,131 million in 2013/2014 to EUR 1,061 million in 2014/2015, mainly as result of negative foreign exchange rate effects primarily from the depreciation of the Russian Ruble. On a constant foreign exchange rate-basis, our METRO Wholesale segment achieved an EBIT Before Special Items improvement compared with the previous financial year.
B.8	**Selected key pro forma financial information.**	Not applicable. No pro forma financial information has been prepared by the Company.
B.9	**Profit forecast or estimate.**	Not applicable. No profit forecast or profit estimate has been prepared by the Company.
B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The audit reports on the historical financial information included in the Prospectus have been issued without qualifications.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. We are of the opinion that we are in a position to meet the payment obligations that become due within at least the next twelve months from the date of the Prospectus.
C.	**Securities**	
C.1	**A description of the type and the class of the securities being admitted to trading, including any security identification number.**	360,121,736 Ordinary Shares with International Securities Identification Number (ISIN): DE000BFB0019 German Securities Code (Wertpapier-Kenn-Nummer) (WKN): BFB 001 Trading Symbol: B4B including 3,601,217 and 324,109,563 newly issued Ordinary Shares from two capital increases against contribution in kind of parts of the MWFS Business resolved upon by an extraordinary general shareholders' meeting on February 10, 2017, to implement the Hive-Down and Spin-Off which will become effective with the registration of the Hive-Down and Spin-Off with the commercial register of the Existing Shareholder maintained by the local court (*Amtsgericht*) of Dusseldorf, Germany, (the date by which the Hive-Down and Spin-Off have both been registered with the commercial register, the "**Registration Date**") expected on or about July 13, 2017 or up to six Trading Days earlier, whereas "**Trading Day**" means any day on which any trading venue at the Frankfurt Stock Exchange is open for business, and 2,975,517 Preference Shares with International Securities Identification Number (ISIN): DE000BFB0027

German Securities Code (Wertpapier-Kenn-Nummer) (WKN): BFB 002

Trading Symbol: B4B3

including 29,755 and 2,677,966 newly issued Preference Shares from two capital increases against contribution in kind of parts the MWFS Business resolved upon by an extraordinary general shareholders' meeting on February 10, 2017, to implement the Hive-Down and Spin-Off which will become effective with the registration of the Hive-Down and Spin-Off with the commercial register of the Existing Shareholder maintained by the local court (*Amtsgericht*) of Dusseldorf, Germany, expected on the Registration Date,

each of such Shares (Ordinary and Preference Shares) with no par value and with a *pro rata* amount of EUR 1.00 in the share capital and with full dividend rights for the full financial year ending September 30, 2017 and for all subsequent financial years.

C.2	**Currency of the securities issue.**	Euro.
C.3	**The number of shares issued and fully paid and issued but not fully paid.**	As of the date of the Prospectus, the share capital of the Company amounts to EUR 32,678,752.00 and is divided into 32,410,956 Ordinary Shares and 267,796 Preference Shares. The share capital of the Company is fully paid up. Upon completion of the Demerger, *i.e.*, upon registration of the Hive-Down and the Spin-Off in the commercial register of the Existing Shareholder and of the related capital increases, the share capital of the Company will amount to EUR 363,097,253.00 and will be divided into 360,121,736 Ordinary Shares and 2,975,517 Preference Shares, each Share with no par value (*Stückaktien*).
	The par value per share, or that the shares have not par value.	Each of the Shares without par value represents a *pro rata* amount of EUR 1.00 in the share capital.
C.4	**A description of the rights attached to the securities.**	Each of the Ordinary Shares entitles the shareholder to one vote at the general shareholders' meeting of the Company. The Ordinary Shares carry full dividend rights for their holders for the dividends declared by the Company for the full financial year ending September 30, 2017 and for all subsequent financial years. Except as otherwise provided by law and the Company's articles of association, the Preference Shares do not entitle the shareholder to a vote at the general shareholders' meeting. Each of the Preference Shares entitles the shareholder to one vote at the general shareholders' meeting of the Company provided however that the preferred dividend (as set out below) is not paid or not paid in full in any given year and if the amounts in arrear are not paid in the next following year, together with the full preferred dividend for such year. The Preference Shares carry full dividend rights for their holders for

		the dividends declared by the Company for the full financial year ending September 30, 2017 and for all subsequent financial years. The holders of Preference Shares will receive from the annual net earnings a preferred dividend of EUR 0.17 per each of the Preference Shares. Should the net earnings available for distribution not suffice in any one financial year to pay the preferred dividend, the arrears (excluding any interest) shall be paid from the net earnings of future financial years in an order based on age, *i.e.,* in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividend payable from the profit of a financial year are not distributed until any accumulated arrears have been paid in full. After the preferred dividend has been distributed, the holders of Ordinary Shares will receive a dividend of EUR 0.17 per each of the Ordinary Shares. Thereafter, an extra dividend will be paid to the holders of Preference Shares. The extra dividend shall amount to 10% of such dividend as will be paid to the holders of Ordinary Shares provided that such dividend equals or exceeds EUR 1.02 per each of the Ordinary Shares. The holders of Preference Shares and Ordinary Shares will equally share in any additional profit distribution in the proportion of their shares in the capital stock.
C.5	**A description of any restrictions on the free transferability of the securities.**	Except for the lock-up agreements described below under E.5, there are no other restrictions on the transferability of the Shares.
C.6	**An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.**	On or about June 26, 2017, the Company, together with BofA Merrill Lynch and J. P. Morgan, expects to apply for admission of the Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard), and for admission of the Shares to trading on the regulated market of the Luxembourg Stock Exchange (together, the "**Listing**"). The applications for admission to trading shall also include any newly issued Ordinary Shares and Preference Shares from two capital increases against contribution in kind of parts of the MWFS Business resolved by an extraordinary general shareholders' meeting on February 10, 2017. Admission decisions regarding the Shares are expected to be announced on or about the Registration Date. Trading of the Shares of the Company on the Frankfurt Stock Exchange and the Luxembourg Stock Exchange is currently expected to commence on or about the next Trading Day following the Registration Date (the "**First Day of Trading**").
C.7	**A description of dividend policy.**	The Company intends to begin paying dividends in respect of the financial year 2016/2017. Depending on the results of operations of the Group, the Management Board intends to propose to the general shareholders' meeting of the Company to resolve the payment of a dividend with an average pay-out ratio ranging between 45% and 55% of earnings per share (as shown in the audited consolidated financial statements of

MWFS Group) for the respective financial year from the financial year ending on September 30, 2018 onwards. For the financial year 2016/2017, the Management Board intends to propose to the general shareholders' meeting of the Company to resolve the payment of a dividend with a pay-out ratio ranging between 45% and 55% of earnings per share (as shown in the audited consolidated financial statements of MWFS Group) before special items. However, the decision on whether and in what amount dividends are to be distributed will depend on a series of factors, including the level of distributable profit for the year, market developments, the investment policy, the Company's rating status, the financing needs of the Group at the time as well as the respective resolution to be adopted by the Company's shareholders' meeting and no assurance can be given that the Company will achieve sufficient distributable profits for a distribution in the future.

As the Company conducts its operating business through its subsidiaries and affiliates, its ability to pay dividends depends substantially on its operating subsidiaries and affiliates making profits and distributing these to the Company or transferring them to the Company via existing profit and loss transfer agreements.

D. Risks

D.1 Key information on the key risks that are specific to the issuer or its industry.

Risks Relating to the General Economic Environment and the Markets in Which We Operate

- Unfavorable developments in the global economy, financial markets, political conditions or specific markets in which we operate can negatively affect our business. In particular in Germany, Western Europe and Eastern Europe, where we generate the largest portion of our sales, we may be more affected than some of our competitors in case of an economic downturn and/or high volatility in the financial or other markets in Europe, or by current or future geopolitical crises and upheavals such as the "Brexit" or the continuing sanctions and other measures in connection with the Russian/Ukrainian conflict.

- The markets in which we operate are highly competitive, and such competitive pressures from both direct and indirect, existing and new competitors may have a material adverse effect on our business and result in reductions in our market shares and profitability.

- The economic, political or regulatory conditions in emerging markets could deteriorate which could negatively affect our results of operations, financial position, cash flows and prospects.

Risks Related to Changes in the Wholesale and Retail Markets and Challenges to the Business Model and Strategy of the MWFS Group

- Changes in retail end-user consumer or professional customer preferences, demands or changes in our customer composition, in particular, given that we generate a large portion of our sales with our most loyal customers, may have a material adverse effect on our business if we are unable to anticipate, gauge and react to these changes.

- We may fail to adequately implement our operating model or the new strategic focus of our business (including our new retail concept) with a particular focus on local customer relevance, trends and needs which may fail to produce the targeted results.

- We may not achieve the planned expansion of our business, in particular, of our wholesale operations in select growth markets, FSD business and Trader franchise programs.

- We may fail to successfully identify, enter into or integrate acquisitions, joint ventures and co-operations or to successfully execute divestments. We may also fail to timely implement efficiency improvements and cost saving measures (including select portfolio adjustments and restructuring measures) and such planned improvements and measures may fail to achieve their targets.

- We may fail to adequately protect our reputation, the "METRO" brand and the other brands under which we operate.

- A failure to adopt and apply technological advances in a timely manner and to successfully implement our digitalization efforts and expand our online and multi-channel capabilities and other customer support tools could limit or reduce our sales.

Risks Related to Our Business Operations

- Increases in prices charged by food and non-food suppliers as well as reductions in supplier discounts, rebates, bonuses, service fees and/or other commercial income, or a reduction in the availability of products or loss of any key suppliers or procurement partners, may all have a material adverse effect on our profitability if we are unable to pass on price increases to customers or timely obtain adequate alternative supplies.

- Disruptions to, or insufficiency of, our supply and logistics systems and infrastructure management, including as a result of supply disruptions, poor infrastructure conditions, adverse climate, natural disasters, human error or acts of terrorism, could materially adversely affect our business.

- We depend on our ability to acquire or lease appropriate real estate on commercially acceptable terms, to

commercially exploit our real property rights and to build new warehouses, hypermarkets or logistic facilities on newly acquired or leased sites. Any delay in the development of land plots, including the construction of new facilities, may impair our expansion plans and maintenance or repair backlogs could have a material adverse effect on our business.

- If we make the wrong decisions in the selection of our business locations, this may lead to an unprofitable use of selling space, as well as to risks from having unused selling space for which no further useful purpose can be found, which pose a risk to the intrinsic value of our warehouse and hypermarket network.

- We depend on a variety of information technology systems and the Internet and the failure or insufficiency of such systems could harm our business. Moreover, the integrity of customer information stored by us may be compromised and any loss or misappropriation of customer data may damage our reputation and brand and may give rise to civil liability, administrative orders, fines or even criminal charges.

- We face operational and reputational risks with respect to our own brand products and may be unable to maintain the share of revenue from sales of our own brand products, which could lead to lower gross margins. More generally, we face the risk of product liability claims and negative publicity relating to defective products.

- Our business is exposed to seasonal fluctuations and trends which, independently or in combination with other events, may significantly affect our business, results of operations, financial position, cash flows and prospects.

- Our success and future prospects depend on our ability to continue to attract, retain and motivate qualified personnel, in particular, for our senior management. We are also exposed to the risk of rising labor costs which might negatively affect our profitability, in particular, if we fail to find a long-term solution to secure competitive wage levels for our retail business. In addition, any deterioration of our relationships with our employees, the trade unions and employee representatives may result in a material adverse effect on our business, and work stoppages, strikes or other collective actions might negatively affect our profitability.

- The variety of payment methods that we accept, including credit and debit card payment, the large volume of cash transactions as well as our product assortment exposes us to operational risks and risks of theft, robbery, negligence and/or fraud. We are also exposed to potential counterparty default.

Risks Related to Our Financial Profile

- We face risks associated with our indebtedness and high financing needs, including the risks of higher interest

payments and the need to refinance our business operations, in particular, in case of any potential change in our credit rating, and may not be able to generate sufficient cash to service such indebtedness. In particular, our ability to cover our financing needs at the financial markets may be impaired if we fail to procure or maintain an investment grade rating. Moreover, the Company's ability to pay dividends could be impaired by current or future debt covenants.

- Our results of operations may be adversely affected by currency fluctuations.

- Any write-downs or impairments on our assets, including goodwill and real estate, may have a material negative effect on our results of operations, financial position and our ability to pay dividends.

- We have obligations to our employees relating to retirement and other obligations, the calculations of which are based on a number of assumptions, including discount rates, life expectancies and rates of increase in compensation levels, which may differ from actual rates in the future.

Legal, Regulatory and Tax Risks

- Failure to comply with existing governmental regulations could result in the closure of facilities, the imposition of substantial penalties and additional costs and our risk management and internal controls may not prevent or detect violations of law, and compliance breaches. We may also fail to fulfill the terms of our licenses, permits and other authorizations or fail to renew them on expiry or fail to obtain new licenses, permits and other authorizations that we may require.

- Increased governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety or trade (including commercial income) could negatively affect our sales, profit and financial position in different ways. In addition, the introduction of import bans or imposition of, or increases in, customs duties, tariffs or other sanctions could negatively impact our business.

- We are subject to risks from disputes and administrative, legal and arbitration proceedings including antitrust matters.

- Any threat to, or impairment of, our intellectual property rights and know-how could cause us to incur costs to defend these rights and impair our ability to compete effectively, and any violation of third party intellectual property rights by us could result in liability for damages and litigation costs.

- We are subject to tax risks, and our tax burden could increase due to changes in tax laws or their application or interpretation, or as a result of current or future tax audits or increases in tax rates.

Risks Related to the Demerger and Separation of our Business from the METRO Group

- We may not realize the anticipated benefits from the separation of our business from the CE Business of the METRO Group, and such separation may lead to the loss of business opportunities and higher costs.

- In connection with or as a consequence of the Demerger, we face risks from claims, particularly under the statutory post demerger liability according to which we would be jointly and severally (*gesamtschuldnerisch*) liable for liabilities of the Existing Shareholder which come into existence before the Demerger is completed under certain conditions. We have also incurred substantial costs in connection with the Demerger and may fail to recoup these costs in the future.

- It is also possible that in connection with the Demerger or the preparatory measures, detrimental tax effects could be caused both for the Company and its subsidiaries, and for our prospective shareholders.

- Due to uncertainties regarding the application of the so-called footstep theory, the valuation sensitivity of chosen structure for the Demerger and other tax risks, the Company, its subsidiaries and its prospective shareholders could incur detrimental tax effects in case competent tax authorities apply a different tax treatment than expected.

- Furthermore, due to our complex financial history, we have prepared combined financial statements and it is possible that these do not accurately reflect our results as an independent business.

D.3 Key information on the key risks that are specific to the securities.

Risks Relating to the Listing and the Shareholder Structure

- We face risks from being a listed company, which entails additional regulatory requirements, including, but not limited to, capital markets law requirements such as the preparation of interim financial reporting and ad-hoc disclosures, and considerable compliance costs.

- The Existing Shareholder (METRO AG to be renamed CECONOMY AG) and certain other shareholders will retain significant shareholdings in the Company upon completion of the Demerger and will be able to exercise a corresponding influence. As a result the interests of these shareholders could come into conflict with the interests of other shareholders.

- The price and trading volume of the Shares could fluctuate significantly, and investors could lose all or part of their investment. Moreover, if research analysts do not publish

		research about our business or issue unfavorable commentary regarding the Company's stock, the share price and trading volume could decline. • The cumulative value of the shares of MWFS AG and CECONOMY AG may not reach or exceed the value of the shares of METRO AG prior to the Demerger. • Future capital increases, any future equity offerings or offerings of instruments convertible into equity or any merger with another entity may dilute investors' shareholdings in the Company.
E.	**Offer**	
E.1	**The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror.**	Not applicable. An offer of securities is not part of the subject-matter of the Prospectus. The Company estimates that the overall costs for the Demerger and the Listing will be approximately EUR 100 million, of which the Company and MWFS Group will bear approximately 98%. Moreover, the members of our Management Board and a considerable number of our other managers are expected to receive payments in connection with the (partial) early settlement of long-term and short-term incentive programs at the Existing Shareholder granted under their respective service and employment contracts since 2013. We expect costs related thereto in an aggregate amount in the mid double-digit EUR million range of which we will assume the vast majority. Investors will not be charged with expenses by the Company, the Existing Shareholder or the Banks in connection with their role as Banks in connection with the Listing. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institution.
E.2a	**Reasons for the offer, use of proceeds, estimated net amount of the proceeds.**	Not applicable. An offer of securities is not part of the subject-matter of the Prospectus.
E.3	**A description of the terms and conditions of the offer.**	Not applicable. An offer of securities is not part of the subject-matter of the Prospectus.
E.4	**A description of any interest that is material to the issue/ offer including conflicting interests.**	In connection with the Listing and Demerger, the Listing Agents are in a contractual relationship with the Company and the Existing Shareholder. The Listing Agents are advising the Company and the Existing Shareholder in the course of the Demerger. Deutsche Bank has been appointed as trustee as required by the German Transformation Act (*Umwandlungsgesetz*) in the context of the Demerger and may receive a discretionary fee in addition to its base fee upon successful completion of the transaction.

The Listing Agents and Deutsche Bank and/or their affiliates have had, and may in the future continue to have, from time to time, business relations with us or the Existing Shareholder (including lending activities) or may perform services for us or the Existing Shareholder in the ordinary course of business. For example, both Listing Agents and Deutsche Bank have, among other things, provided loans or bilateral credit commitments to certain companies of the METRO Group and / or the MWFS Group. One of the Listing Agents and Deutsche Bank, or certain of their respective affiliates, are parties to the existing syndicated loan agreement. In addition, the Listing Agents and Deutsche Bank, or certain of their respective affiliates will hold a stake in one or both of the new revolving facility agreements and Deutsche Bank acts as arranger for a debt issuance program and a commercial paper program.

In connection with their past and existing service agreements with the Existing Shareholder, METRO AG, all four members of our Management Board currently hold rights under short-term and long-term incentive programs. If these programs will not terminate according to the terms of the respective program until the time of the effectiveness of the Hive-Down and Spin-Off, they will be settled early – either fully or partially – following the Demerger. To the extent such programs will not be settled early, the respective program will be rolled over to the Company.

To the extent that the members of our Management Board or our Supervisory Board directly or indirectly will hold Shares in the Company upon the effectiveness of the Spin-Off, they may, separately from their positions in the governing body, have special interests as a result of their shareholdings. No conflicts or potential conflicts exist with regard to obligations owed to the Company as of the date of the Prospectus that could result from their private interests or other obligations. However, certain members of our Management Board and of our Supervisory Board currently still hold offices at our Existing Shareholder, some of which, however, will be terminated upon the effectiveness of the Spin-Off. Upon completion of the Demerger, none of the members of our Management Board will continue to hold any office at the Existing Shareholder. Four members of our Supervisory Board are expected to remain supervisory board members of the Existing Shareholder after the completion of the Demerger. Furthermore, two of the members of our Supervisory Board simultaneously serve on two of the management boards of main shareholder groups of the Existing Shareholder (who will, upon the effectiveness of the Spin-Off, become shareholders in the Company), one member of our Supervisory Board on each management board.

E.5	**Name of the person or entity offering to sell the security.**	Not applicable. An offer of securities is not part of the subject-matter of the Prospectus.

	Lock-up agreements: the parties involved; and indication of the period of the lock up.	In connection with the Demerger, each of the main shareholder groups of the Existing Shareholder and the Existing Shareholder itself have assumed holding (so-called lock-up) obligations regarding the Shares in MWFS AG. Each of the main shareholder groups of the Existing Shareholder has assumed a lock-up obligation *vis-à-vis* the Existing Shareholder with contents customary in the market regarding the Shares that the relevant main shareholder group will receive in the course of the Spin-Off for a period of three months after the first day of trading of the shares of MWFS AG on the Frankfurt Stock Exchange. The Existing Shareholder, with a future direct and indirect shareholding in MWFS AG of approximately 10.0% immediately after the Hive-Down and Spin-Off take effect, has also assumed lock-up obligations in favor of MWFS AG regarding its Shares in MWFS AG: (i) for a period of six months after the first day of trading of the Shares in MWFS AG on the Frankfurt Stock Exchange regarding the Shares currently indirectly held by the Existing Shareholder, which will amount to a future shareholding of approximately 9.0%, and (ii) for a period of seven years and one day after September 30, 2016, 24:00 h regarding the Shares that the Existing Shareholder will receive in the course of the capital increase as part of the Hive-Down, which will amount to a future shareholding of approximately 1.0%.
E.6	**The amount and percentage of immediate dilution resulting from the offer. In case of a subscription offer to the existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.**	Not applicable. An offer of securities is not part of the subject-matter of the Prospectus.
E.7	**Estimated expenses charged to the investor by the issuer or the offeror.**	Not applicable. Investors will not be charged with expenses by the Company or the Banks in connection with their role as Banks.

II. ZUSAMMENFASSUNG DES PROSPEKTS

Zusammenfassungen bestehen aus geforderten Angaben, die als „Punkte" bezeichnet sind. Diese Punkte sind in den Abschnitten A – E (A.1 – E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Punkte, die für die vorliegende Art von Wertpapieren und Emittenten in eine Zusammenfassung aufzunehmen sind. Da einige Punkte nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art der Wertpapiere und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevanten Informationen gegeben werden können. In diesem Fall enthält die Zusammenfassung eine kurze Beschreibung des Punkts mit dem Hinweis „Entfällt".

A. Einleitung und Warnhinweise

A.1 Warnhinweise.

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt (der „**Prospekt**") verstanden werden. Bei jeder Anlageentscheidung betreffend die Aktien der Gesellschaft (wie nachfolgend definiert) sollte sich der Anleger auf die sorgsame Prüfung des gesamten Prospekts stützen.

Für den Fall, dass vor einem Gericht Ansprüche in Bezug auf in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Mitgliedstaaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben.

Die Personen, die die Verantwortung für die Zusammenfassung einschließlich etwaiger Übersetzungen übernommen haben oder von denen der Erlass ausgeht, können für den Inhalt der Zusammenfassung einschließlich ihrer Übersetzung haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.

Die METRO Wholesale & Food Specialist AG (vormals METRO Wholesale & Food Specialist GmbH), Düsseldorf, Bundesrepublik Deutschland („**Deutschland**") im Handelsregister des Amtsgerichts Düsseldorf, Deutschland, unter HRB 79055 eingetragen, (im Folgenden auch die „**Gesellschaft**" oder „**MWFS AG**" und gemeinsam mit den weiteren Gesellschaften des Kombinierungskreises, „**wir**", „**uns**", „**unsere**", die „**MWFS-Gruppe**", die „**Gruppe**" oder „**MWFS**") sowie Merrill Lynch International, London, Vereinigtes Königreich („**BofA Merrill Lynch**") und J. P. Morgan Securities plc, London, Vereinigtes Königreich („**J. P. Morgan**"), beide agierend als Listing Agents (die „**Listing Agents**" oder die „**Banken**"), übernehmen gemäß § 5 Absatz 2b Nr. 4 Wertpapierprospektgesetz die Verantwortung für die Zusammenfassung einschließlich ihrer deutschen Übersetzung.

A.2	**Angaben und Hinweise bezüglich der Verwendung des Prospekts für die spätere Weiterveräußerung oder endgültige Platzierung von Wertpapieren durch Finanzintermediäre.**	Entfällt. Es wird keine spätere Weiterveräußerung oder endgültige Platzierung der Aktien der Gesellschaft durch Finanzintermediäre, für die eine Zustimmung erforderlich wäre, erfolgen. Daher wurde keine Zustimmung zur Verwendung des Prospekts für die spätere Weiterveräußerung oder Platzierung der Aktien der Gesellschaft durch Finanzintermediäre erteilt.
B.	**Emittent**	
B.1	**Juristischer und kommerzieller Name des Emittenten.**	Der juristische Name der Gesellschaft zum Datum des Prospekts ist METRO Wholesale & Food Specialist AG. Es ist beabsichtigt, dass der juristische Name der Gesellschaft in „METRO AG" geändert wird, nachdem die derzeitige Muttergesellschaft der MWFS AG, die METRO AG, Düsseldorf, Deutschland, im Handelsregister des Amtsgerichts Düsseldorf, Deutschland, unter HRB 39473 eingetragen, (die „**Altaktionärin**") ihre Firma in „CECONOMY AG" geändert hat. Die kommerzielle Bezeichnung der Gesellschaft und der MWFS Gruppe lautet „METRO", die derzeit auch teilweise von der Altaktionärin und wenigen ihrer Tochtergesellschaften verwendet wird, bei denen ebenfalls zu erwarten ist, dass diese ihre Firmen ändern. Darüber hinaus nutzen einige Tochtergesellschaften der Gesellschaft weitere kommerzielle Bezeichnungen, welche weitere wichtige Marken der Gruppe widerspiegeln, insbesondere „makro" und „real,-".
B.2	**Sitz, Rechtsform, geltendes Recht, Land der Gründung.**	Die Gesellschaft hat ihren Sitz in Düsseldorf, Deutschland und ist im Handelsregister des Amtsgerichts Düsseldorf, Deutschland, unter HRB 79055 eingetragen. Die Gesellschaft ist eine deutsche Aktiengesellschaft, die in Deutschland gegründet wurde und deutschem Recht unterliegt.
B.3	**Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten des Emittenten samt der hierfür wesentlichen Faktoren, Hauptprodukt- und/ oder -dienstleistungs-kategorien sowie Hauptmärkte, auf denen der Emittent vertreten ist.**	Basierend sowohl auf Umsatzerlösen als auch unserer breiten Warenhauspräsenz sind wir – nach unserer Einschätzung – ein führender internationaler Akteur im Großhandel und im Foodservice Distribution (Lebensmitteldirektvertrieb, "**FSD**")-Bereich und sind einer der führenden Akteure im Segment für Selbstbedienungsverbrauchermärkte (sog. Hypermarkets) des deutschen Lebensmitteleinzelhandelsmarktes (nach Panel Data von GfK SE basierend auf Umsatzerlösen für 2016; nach Definitionen, die von EHI Retail Institute GmbH verwendet werden, sind Hypermarkets Einzelhandelsformate mit einer Verkaufsfläche von mindestens 5.000 m², die Lebensmittel und Non-Food Produkte anbieten; ein Hypermarktbetreiber ist als solcher definiert, wenn die meisten Geschäfte, die er betreibt, die obige Definition erfüllen; aus Vereinfachungsgründen bezeichnen wir alle unsere Real Geschäfte als Selbstbedienungsverbrauchermärkte (sogenannte Hypermarkets), da die große Mehrheit die Definitionskriterien erfüllt, obwohl einige unserer Geschäfte eine kleinere Verkaufsfläche haben). Wir sind eine starke internationale Großhandelsgruppe mit bekannten Marken wie z. B. "METRO" und "makro", breiter globaler Präsenz (unter anderem in 29 Metropolen) sowie einer umfassenden Reichweite. Insgesamt sind wir in 35 Ländern Westeuropas, einschließlich

Deutschland, Osteuropas und Asiens im Großhandel und FSD aktiv. In 25 Ländern betreiben wir 751 Warenhäuser, während wir in den restlichen zehn Ländern ausschließlich FSD anbieten. Zusätzlich haben wir 79 Auslieferungsdepots. Wir bieten zudem FSD über unsere vor kurzem erworbenen, dezidierten FSD-Unternehmen, wie beispielsweise Classic Fine Foods Gruppe, Rungis express Gruppe und Pro à Pro Gruppe, an. In unserem deutschen Einzelhandelsgeschäft betreiben wir 282 Selbstbedienungsverbrauchermärkte fast ausschließlich unter der Marke "real,-" in ganz Deutschland (alle Angaben zum 31. März 2017, soweit nicht anders angegeben).

Unser Geschäft wird von zwei operativen Segmenten durchgeführt: dem METRO Wholesale-Segment, welches unser Großhandelsgeschäft (einschließlich der Großmärkte und der Belieferung) primär für business-to-business (Geschäfts-zu-Geschäfts-) (sog. "**B2B**")-Kunden umfasst, sowie dem Real-Segment, welches unser deutsches Einzelhandelsgeschäft für business-to-consumer (Geschäfts-zu-Konsumenten-) (sog. "**B2C**")-Kunden umfasst.

In unserem METRO Wholesale-Segment erzielten wir EUR 29.000 Mio. Außenumsatzerlöse (netto) (oder 79,3% unserer gesamten Außenumsatzerlöse (netto)) und ein EBITDA vor Sonderfaktoren (wie nachfolgend unter B.7 definiert) von EUR 1.464 Mio. (entsprechend einer Marge von 5,0%) im Geschäftsjahr 2015/2016 (wie nachfolgend unter B.7 definiert). Zum 31. März 2017 hatte unser METRO Wholesale-Segment über 100.000 Mitarbeiter, die in hochengagierten Teams arbeiten, darunter mehr als 7.000 Vertriebsmitarbeiter. Als Multi-Channel (Multi-Kanal)-Akteur kombinieren wir ein breites, gut investiertes Warenhausnetz mit einem umfangreichen FSD, Lieferung ab Warenhaus, Abholung bestellter Waren vom Warenhaus und Belieferung nach dem Bezahlen sowie Online-Shop-Kapazitäten, die es unseren Kunden ermöglichen, ihre Einkäufe liefern zu lassen, in der Filiale einzukaufen oder "Click-and-Collect" (Online-Einkauf mit Abholung in der Filiale) zu nutzen. Wir meinen, dass FSD ein wachsendes und attraktives Geschäftsfeld ist.

Wir sind der Auffassung, dass unser Geschäftsmodell, welches auf Kundennutzen und einer Stärkung unserer lokalen Organisationen ausgerichtet ist, die Bildung starker Beziehungen und enge Nähe zu unseren B2B-Kundengruppen weiter fördert, während es ebenfalls eine starke Möglichkeit bietet, zusätzlichen Wert sowie einen hohen Anteil an wiederkehrenden, vorhersehbaren Umsatzerlösen zu generieren. Die B2B-Kunden unseres Großhandels- und Foodservice-Geschäfts sind mehrheitlich kleine und mittelgroße Unternehmen sowie Einzelunternehmer und umfassen (1) "**HoReCa**", bestehend aus Hotels und Bewirtungsgeschäften, Restaurants, Bars und Cafés sowie Catering-Unternehmen und Kantinenbetreibern, (2) "**Trader**", bestehend aus kleinen Lebensmittelläden, Kiosks, "Street Food"-Händlern sowie Tankstellen und Großhändlern, und (3) "**SCO**", bestehend aus einer breiten Vielfalt an professionellen Dienstleistungsunternehmen und Organisationen, beispielsweise Dienstleistungsanbietern, Büros

und Institutionen. Unsere Märkte sind nach Kundengruppen und Regionen aufgeteilt. Abhängig von unserem hauptsächlichen Kundenfokus in den jeweiligen Ländern entsprechend unserem Geschäftsmodell steuern wir ein maßgeschneidertes, an die spezifischen Kundenverhaltensmuster und -bedürfnisse angepasstes Angebot an, um die lokalen Marktmöglichkeiten möglichst gut nutzen zu können.

In unserem Real-Segment erzielten wir EUR 7.478 Mio. Außenumsatzerlöse (netto) (oder 20,5% unserer gesamten Außenumsatzerlöse (netto)) und ein EBITDA vor Sonderfaktoren von EUR 247 Mio. (entsprechend einer Marge von 3,3%) im Geschäftsjahr 2015/2016. Mit unserem Real-Einzelhandelsgeschäft und seinen 282 Selbstbedienungsverbrauchermärkten (per 31. März 2017) sind wir ein führender Betreiber von Selbstbedienungsverbrauchermärkten in Deutschland und der fünftgrößte Lebensmitteleinzelhändler in diesem Land basierend auf Umsatzerlösen im Jahr 2016 (Quelle: Panel Data von GfK SE). Unsere Selbstbedienungswarenhäuser bieten ein sehr breites Produktsortiment an, das sowohl Lebensmittel- als auch mehrere Non-Food-Produktkategorien umfasst.

Auf Konzernebene erzielten wir Umsatzerlöse in Höhe von EUR 36.549 Mio., ein EBITDA vor Sonderfaktoren in Höhe von EUR 1.791 Mio. und ein Periodenergebnis in Höhe von EUR 519 Mio. im Geschäftsjahr 2015/2016. Unsere Nettoverschuldung (wie nachfolgend unter B.7 definiert) reduzierte sich von EUR 6.535 Mio. zum 1. Oktober 2013 auf EUR 3.051 Mio. zum 30. September 2016, getrieben durch ausgewählte Portfoliobereinigungen und unseren starken Cashflow aus betrieblicher Tätigkeit.

Wettbewerbsstärken

Unserer Einschätzung nach unterscheiden uns folgende Stärken – und insbesondere ihre Kombination – von Wettbewerbern und verleihen uns Wettbewerbsvorteile in den Märkten, in denen wir tätig sind:

- Wir sind – nach unserer Einschätzung – ein führendes Unternehmen in Großhandel und FSD mit einer starken und diversifizierten internationalen Präsenz;
- wir konzentrieren uns auf attraktive zugrunde liegende Märkte mit solider Basis und Wachstumspotential;
- wir sind mit hochengagierten Teams komplett auf Kundennutzen fokussiert;
- wir ermöglichen die Stärkung der lokalen Organisationen unterstützt von unserem Geschäftsmodell mit Fokus auf lokaler Wertschöpfung und haben uns einer erfolgreichen strategischen Neuausrichtung unterzogen;
- wir haben eine erfolgreiche Portfoliooptimierung durchgeführt und konzentrieren uns auf unser Kerngeschäft; und

- wir haben ein solides Finanzprofil untermauert durch ein beträchtliches Immobilienportfolio.

Strategie

Basierend auf unserem Geschäftsmodell entwickeln und implementieren unsere lokalen Gesellschaften ihre individuellen Wertschöpfungspläne, die Umgestaltung und Wachstum entsprechend den lokalen Bedürfnissen ermöglichen. Dabei unterstützt die zentrale Organisation die lokale Wertschöpfung und verwaltet das Portfolio aktiv. Basierend auf den „bottom-up“ (von unten nach oben) Wertschöpfungsplänen, haben wir fünf übergeordnete strategischen Werthebel für unser Großhandelsgeschäft identifiziert. Ferner haben und verfolgen wir klare strategische Prioritäten für unser Real-Geschäft.

Fünf übergeordnete strategische Werthebel für unser Großhandels- und FSD-Geschäft

- Das volle Potenzial von Warenhäusern quer durch unsere HoReCa-, Trader- und SCO-Kundengruppen ausschöpfen, und zwar durch (i) eine Erhöhung der Warenhäuserdifferenzierung, z. B. durch spezifisch an die unterschiedlichen Kundengruppen und deren jeweiligen Bedürfnisse angepasste Ladengestaltung, sowie (ii) die Veränderung von einem zentralisierten, einheitlichen Wachstumsmodell basierend auf der Eröffnung neuer Großhandelsfilialen hin zu einem umsatzbezogenen Wachstumsmodell mit einem Hauptfokus auf flächenbereinigte (sog. “Like-for-like”) Umsätze;

- FSD und sonstiges Belieferungsgeschäft ausbauen, welches unserer Einschätzung nach ein attraktives, komplementäres Geschäft zu unserem Kerngeschäft des Warenhausgeschäfts darstellt, und ein wichtiger Vertriebsweg für HoReCa-Kunden in vielen unserer Märkte ist, welcher wiederkehrende Beziehungen verstärkt;

- Das Trader-Franchising-Modell aufbauen, was unserer Einschätzung nach dazu beiträgt, neue Wachstumschancen in relevanten Märkten zu schaffen, z. B. durch den Ausbau unserer Trader-Franchise-Programme in Ländern wie Polen, Rumänien und insbesondere Russland;

- Die operative Leistungsfähigkeit zu steigern, um unsere Kostenbasis zu verringern und den Fokus auf liquide Mittel in unseren lokalen Gesellschaften zu steigern; und

- Die Übertragung von Know-How zu stärken und neue Lösungen sowie digitale Tools zu entwickeln, einschließlich Online-Bestellungen und eines breiten digitalen Marktplatzes, sowie Tools, um das Kundenerlebnis und die Effizienz zu verbessern.

Klar definierte strategische Prioritäten, um das künftige Wachstum bei Real voranzutreiben

- Fokus auf eine stärkere Kundenorientierung mit Modernisierung und räumlicher Umgestaltung unserer Selbstbedienungswarenhäuser, um die Produktivität pro Quadratmeter zu steigern einschließlich unseres "Food Lover's"-Konzeptes, eines neuen hybriden Ladenkonzeptes, dass unser kundenfokussiertes Konzept mit den Vorteilen der Großfläche kombiniert und die spezifischen Bedürfnisse unserer zukünftigen Einzelhandelskunden anspricht;

- Ausgewählte Investitionen, um Real als Multi-Channel-Einzelhändler zu etablieren, unsere "Ultra-Fresh" (ultrafrisch) Kategorien zu verstärken und unsere Einkaufskooperationen auszubauen; und

- Erhöhung der Kosteneffizienz durch die Straffung unserer Management-Strukturen, Nutzung der Synergien innerhalb der Gruppe, Restrukturierung unserer zentralen Funktionen, die Errichtung einer neuen regionalen Betriebsstruktur auf Basis von drei Regionen sowie die Sicherung wettbewerbsfähiger Lohn- und Gehaltsniveaus.

B.4a **Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken.**

Unserer Einschätzung nach sind die wesentlichen Märkte, die wir bedienen, durch folgende Trends und Treiber gekennzeichnet:

Wirtschaftswachstum, wachsende Bevölkerung, Urbanisierung, wachsendes Privateinkommen und andere demographische Trends

Gemäß eines kundenspezifischen Berichts zu Trends in den HoReCa- und Trader-Märkten mit dem Titel "IPO Research: Consumer Foodservice and Trader Forecast Model – Qualitative Insights Summary" aus Mai 2017 ("**Euromonitor Trend-Bericht**") trägt das Wirtschaftswachstum (nach BIP gemessen) in den durch diesen Bericht abgedeckten Ländern zu einer positiven Entwicklung in den HoReCa-Märkten solcher Länder (gemeinsam betrachtet) sowie zu einem Ausgabenanstieg im Trader-Markt bei. Auch das Wachstum der Gesamtbevölkerung und ein höheres Beschäftigungsniveau tragen zum Wachstum sowohl der HoReCa- als auch der Trader-Märkte bei. Laut derselben Quelle ist infolge der Verbesserung des Verbrauchervertrauens eine Steigerung der diskretionären Verbraucherausgaben zu verzeichnen, einschließlich in Bezug auf Foodservice. Eine stärkere Urbanisierung sowie die zunehmende Reisetätigkeit (z. B. globaler Tourismus und Geschäftsreisen) tragen zu einer höheren Foodservice-Nachfrage bei und führen zu einem wachsenden Niveau an Außer-Haus-Konsum (z. B. Konsum in Restaurants, Cafés, Bars, Hotels, etc.), insbesondere in touristischen Gebieten, Wirtschaftszentren und Stadtgebieten. Aus diesem Grund sind Megastädte besonders wichtig für unser Geschäft: Derzeit sind wir in 29 Metropolen überwiegend in Europa und Asien präsent. Gemäß dem Euromonitor Trend-Bericht unterstützt auch ein wachsender Anteil der urbanen

Bevölkerung an der Gesamtbevölkerung die Popularität von Convenience Stores (Bedarfsartikelgeschäften) sowie Forecourt Retailers (Tankstellen-Shops). Ferner tendieren, laut derselben Quelle, Konsumenten in Stadtgebieten (insbesondere die ältere Generation) dazu, öfter und in kleineren Mengen einzukaufen. Sie bevorzugen auch nahegelegene Läden, da diese alle Bedarfsartikel (oder Möglichkeiten zur Lieferung von Produkten in dem Laden) anbieten, anstatt zu großen Supermärkten zu Spitzenzeiten zu fahren. Gemäß dem Euromonitor Trend-Bericht ist insbesondere zu erwarten, dass das zukünftige Wachstum der Foodservice-Nachfrage über den Prognosezeitraum (bis 2020) primär auf dem Anhalten der Gewohnheit auswärts zu essen resultieren wird. Eine Steigerung des verfügbaren Einkommens dürfte ebenfalls zu größerer Nachfrage nach Hochqualitätsprodukten sowie einer Steigerung der Konsumausgaben, auch in dem modernen Einzelhandel, beitragen.

Beschäftigungswachstum und steigende Arbeitszeiten sowie ein hektischerer Lebensstil

Eine höhere Beschäftigungszahl und ein hektischerer Lebensstil führen zunehmend zu einer wachsenden Nachfrage nach sog. "Top-Up"-Einkäufen (d.h. Lebensmitteleinkäufe, um Ersatzprodukte einzukaufen oder um die Lebensmittelhaupteinkäufe zu ergänzen) und "On-the-Go" (Mitnehm)-Einkäufen. Diese Entwicklung führt wiederum zu einer wachsenden Nachfrage nach Convenience-Einzelhändlern, die ein weiterer Treiber für das Trader-Segment ist. Der Euromonitor Trend-Bericht erwartet, dass viel beschäftigte Konsumenten in der Prognoseperiode 2016-2020 zunehmend nach schnellen und bequemen Einkaufsmöglichkeiten verlangen werden sowie dass sie Ladenformate bevorzugen werden, die es ermöglichen, einfach durch die Läden zu navigieren, und die erweiterte Öffnungszeiten haben, mit Online-Shopping als einer Alternative. Ferner prognostiziert der Euromonitor Trend-Bericht einen beträchtlichen Anstieg der Ausgaben für Auswärtsessen in den kommenden Jahren und dass das Konsumverhalten des Auswärtsessengehens in der Periode 2016-2020 am stärksten zum Wachstum beitragen wird.

Digitalisierung/Der vernetzte Kunde

Gemäß des Euromonitor Trend-Berichts führt die technologische Entwicklung zu einer weiteren Foodservice-Ausweitung (welche für unser HoReCa-Geschäft relevant ist), z. B. durch eine zunehmende Anzahl der über das Internet erhaltenen Bestellungen. Um diese Trends zu adressieren, haben wir neue digitale Lösungen für die Effizienzsteigerung unserer Kunden eingeführt, welche die Kunden zu attraktiveren und erfolgreicheren Unternehmen machen. Solche Lösungen umfassen die Investition in Culinary Agents (einem Netzwerk- und Stellenvermittlungsportal für Fachpersonal im Bereich Lebensmittel, Getränke und Bewirtung) und die Einführung des „METRO Accelerator powered by Techstars" (ein

hochselektives Mentorenprogramm für Start-Ups im Digital- und Technologiebereich entlang der kompletten Wertschöpfungskette der Bewirtungs- und Lebensmitteltechnologie-Sektoren) in unserem Großhandels- und Foodservice-Geschäft sowie Multi-Channel-Lösungen in unserem Real-Geschäft in Deutschland.

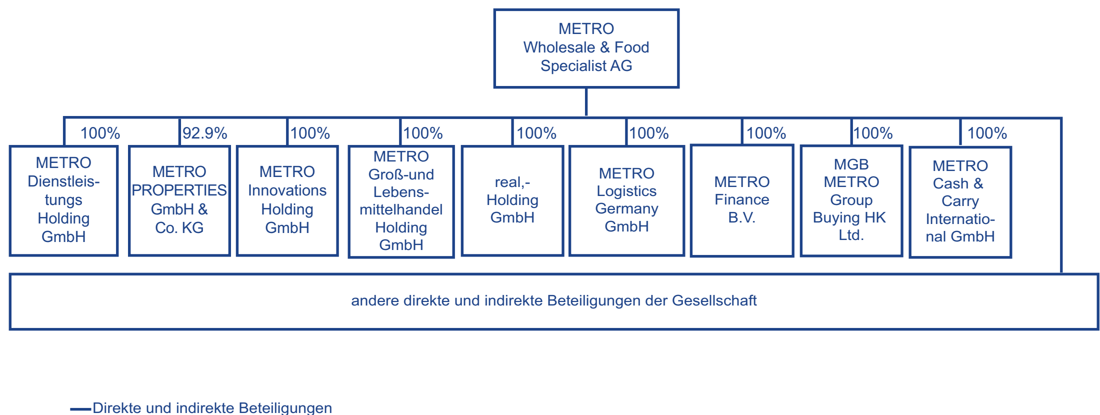
Nachhaltigkeit

In vielen Ländern ist eine steigende Fokussierung auf Bio- und Fair-Trade-Produkte (sowohl Lebensmittel als auch Non-Food-Produkte) zu beobachten. Eine niedrige Kohlendioxidbilanz wird zunehmend zu einem wichtigen Differenzierungsmerkmal gegenüber anderen Wettbewerbern. Da Konsumenten zunehmend wirtschaftliche, umweltbezogene und soziale Aspekte in ihre Einkaufsentscheidungen miteinbeziehen, müssen Einzelhändler ihre Geschäftsstrategie entsprechend anpassen (Quelle: KPMG AG Wirtschaftsprüfungsgesellschaft/ EHI Retail: Consumer Markets, Trends im Handel 2020). Um diesem Trend zu begegnen, haben wir zum Beispiel bestimmte Richtlinien für den nachhaltigen Einkauf entwickelt und diese umgesetzt.

B.5	**Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe.**	Nach Durchführung der Spaltung (wie nachfolgend unter B.6 definiert) wird die MWFS AG, mit Sitz in Düsseldorf, Deutschland, Obergesellschaft der MWFS-Gruppe sein. Die Gesellschaft führt ihr operatives Geschäft durch ihre Tochtergesellschaften und verbundene Unternehmen.

Vereinfachte Struktur der MWFS-Gruppe

Die folgende Grafik zeigt eine vereinfachte Übersicht einzelner direkter und indirekter Beteiligungen der Gesellschaft unmittelbar nach Durchführung der Spaltung:



B.6	**Personen, die eine direkte oder indirekte Beteiligung am Eigenkapital des Emittenten oder einen Teil der Stimmrechte halten.**	Vor Durchführung der Spaltung hält die Altaktionärin direkt und indirekt über ihre 100%ige Tochtergesellschaft METRO Consumer Electronics Zwischenholding GmbH & Co. KG („**ZH KG**“) 100% der derzeit von der Gesellschaft ausgegebenen auf den Inhaber lautenden Stammaktien ohne Nennbetrag (die „**Stammaktien**“) sowie 100% der derzeit von der Gesellschaft ausgegebenen auf den Inhaber lautenden Vorzugsaktien ohne Nennwert (die „**Vorzugsaktien**“ und zusammen mit den Stammaktien, die „**Aktien**“). Zum Datum des Prospekts sind die Hauptaktionäre der Altaktionärin die Aktionärsgruppen Haniel mit rund 24,996%, Schmidt-Ruthenbeck mit rund 15,772% und

		Beisheim mit rund 9,100% der Stimmrechte der Altaktionärin, jeweils basierend auf der letzten verfügbaren Stimmrechtsmitteilung nach §§ 21 f. des Wertpapierhandelsgesetzes. Die übrigen rund 50,132% werden von anderen Aktionären gehalten. Die Spaltung umfasst die Übertragung von Teilen des MWFS Großhandels- und Einzelhandelsgeschäfts (das MWFS Großhandels- und Einzelhandelsgeschäft zusammen folgend das „**MWFS-Geschäft**") jeweils als Sacheinlage im Wege einer Ausgliederung zur Aufnahme gemäß § 123 (3) Nr. 1 des deutschen Umwandlungsgesetzes mit einer Gegenleistung für die Altaktionärin, im Umfang von rund 1,0% der Aktien der Gesellschaft (wie diese unmittelbar nach Durchführung der Spaltung bestehen werden) (die „**Ausgliederung**") sowie einer Abspaltung zur Aufnahme gemäß § 123 (2) Nr. 1 des deutschen Umwandlungsgesetzes mit einer Gegenleistung für die Aktionäre der Altaktionärin im Umfang von rund 90,0% der Aktien der Gesellschaft (wie diese unmittelbar nach Durchführung der Spaltung bestehen werden) (die „**Abspaltung**" und zusammen mit der Ausgliederung die „**Spaltung**"). Nach Durchführung der Spaltung wird die Altaktionärin weiterhin rund (i) jeweils 1,0% der Stammaktien und der Vorzugsaktien direkt und (ii) zusätzlich jeweils 9,0% der Stammaktien und der Vorzugsaktien indirekt über die 100%ige Tochtergesellschaft ZH KG halten. Die Hauptaktionärsgruppen Haniel, Schmidt-Ruthenbeck und Beisheim werden rund 22,496%, 14,194% bzw. 8,190% der Stammaktien halten.
	Angabe, ob die Hauptanteilseigner des Emittenten unterschiedliche Stimmrechte haben.	Jede Stammaktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Sofern durch Gesetz und Satzung der Gesellschaft nichts anderes geregelt ist, berechtigen Vorzugsaktien den Aktionär nicht dazu, bei der Hauptversammlung abzustimmen.
	Angabe, ob an dem Emittenten unmittelbare oder mittelbare Beteiligungen oder Beherrschungs-verhältnisse bestehen, wer diese Beteiligungen hält bzw. diese Beherrschung ausübt und welcher Art die Beherrschung ist.	Zum Datum des Prospekts kontrolliert die Altaktionärin direkt und indirekt durch ihre 100%ige Tochtergesellschaft ZH KG 100% der Stimmrechte der Gesellschaft durch ihre Gesellschafterstellung und daraus resultierend ihre Möglichkeit, die Finanz- und Geschäftspolitik der Gesellschaft zu bestimmen. Nach Durchführung der Spaltung wird die Altaktionärin direkt und indirekt durch die ZH KG insgesamt rund 10,0% der Stammaktien und rund 10,0% der Vorzugsaktien halten. Zu diesem Zeitpunkt wird die Altaktionärin nur zu den mit einer solchen Minderheitsbeteiligung verbundenen Rechten berechtigt sein.
B.7	**Ausgewählte wesentliche historische Finanzinformationen.**	Die nachfolgenden ausgewählten historischen Finanz- und Geschäftsinformationen der MWFS Gruppe aus den und für die am 30. September 2016, 2015 und 2014 endenden Geschäftsjahre (jeweils das „**Geschäftsjahr 2015/2016**" oder „**2015/2016**", „**Geschäftsjahr 2014/2015**" oder „**2014/2015**" und

„**Geschäftsjahr 2013/2014**“ oder „**2013/2014**“) sind (i), sofern sie als „geprüft” dargestellt werden, aus dem geprüften kombinierten Abschluss der MWFS Gruppe für die Geschäftsjahre 2015/2016, 2014/2015 und 2013/2014 (der „**Geprüfte Kombinierte Abschluss**“) entnommen und (ii), sofern sie als ungeprüft dargestellt werden, entweder abgeleitet aus dem Geprüften Kombinierten Abschluss oder aus unseren Buchführungsunterlagen oder unserer Management Berichterstattung einschließlich unseres internen Managementsystems, das sogenannte METRO Data Warehouse (das „**Data Warehouse**“) entnommen oder daraus abgeleitet. Der Geprüfte Kombinierte Abschluss wurde von der Gesellschaft nach den International Financial Reporting Standards („**IFRS**“), wie sie in der EU anzuwenden sind, aufgestellt.

Die nachfolgenden ausgewählten Finanz- und Geschäftsinformationen der Gruppe aus den und für die am 31. März 2017 und 2016 endenden Sechsmonatszeiträumen (jeweils „**Sechsmonatszeitraum 2016/2017**“ oder „**Erste Hälfte von 2016/2017**“ und „**Sechsmonatszeitraum 2015/2016**“ oder „**Erste Hälfte von 2015/2016**“) sind aus dem ungeprüften verkürzten kombinierten Zwischenabschluss aus dem und für den Sechsmonatszeitraum 2016/2017 (einschließlich Vergleichszahlen für den Sechsmonatszeitraum 2015/2016) (der „**Ungeprüfte Verkürzte Kombinierte Zwischenabschluss**“ und zusammen mit dem Geprüften Kombinierten Abschluss, die „**Kombinierten Abschlüsse**“) oder aus unserem Rechnungswesen oder unserer Managementberichterstattung einschließlich Data Warehouse entnommen oder abgeleitet. Der Ungeprüfte Verkürzte Kombinierte Zwischenabschluss wurde von der Gesellschaft nach dem International Accounting Standard 34: Interim Financial Reporting (IAS 34) aufgestellt.

Der Kombinierungskreis für die Kombinierten Abschlüsse wurden anhand der ökonomischen Aktivität der Gruppe definiert. In den Kombinierten Abschlüssen werden somit diejenigen Vermögenswerte und Schulden sowie Aufwendungen und Erträge der METRO Gruppe (die Altaktionärin zusammen mit ihren direkten und indirekten Tochtergesellschaften, die “**METRO Gruppe**”) einbezogen, die historisch zu den ökonomischen Aktivitäten der MWFS Gruppe, bestehend aus den Vertriebslinien METRO Wholesale und Real sowie den dazugehörigen Servicegesellschaften, gehörten und die sämtlich im Wege der gesellschaftsrechtlichen Reorganisation der METRO Gruppe in die MWFS Gruppe übertragen wurden oder werden beziehungsweise abgespalten werden. Alle ökonomischen Aktivitäten des Kombinierungskreises standen für die gesamte Dauer der berichteten Perioden unter gemeinsamer Beherrschung (Common Control) der METRO AG.

Auf unserem sogenannten Data Warehouse basierende Zahlen sind statistische Angaben und schließen für Umsatzzahlen pro Kundengruppe nichtstrategische Kategorien (wie z. B. Tabak, Kraftstoff und Leergut) aus. Sie werden mittels eines auf Selbstauskunft basierenden Klassifizierungssystems ermittelt. Daher sind Abweichungen zu in den Kombinierten Abschlüssen berichteten Finanzangaben möglich.

Ausgewählte Finanzinformationen aus der kombinierten Gewinn- und Verlustrechnung

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus unserer kombinierten Gewinn- und Verlustrechnung für die Sechsmonatszeiträume 2016/2017 und 2015/2016 und für die Geschäftsjahre 2015/2016, 2014/2015 und 2013/2014:

	Für den Sechsmonatszeitraum		Für das Geschäftsjahr		
(in EUR Mio.)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(ungeprüft)		**(geprüft)**		
Umsatzerlöse	**18.608**	**18.515**	**36.549**	**37.496**	**38.970**
Umsatzkosten	(15.095)	(14.976)	(29.560)	(30.421)	(31.668)
Bruttoergebnis vom Umsatz	**3.513**	**3.539**	**6.989**	**7.075**	**7.302**
Sonstige betriebliche Erträge	562	938	1.462	1.264	1.357
Vertriebskosten	(3.030)	(3.061)	(6.171)	(6.350)	(6.680)
Allgemeine Verwaltungskosten	(483)	(486)	(1.058)	(992)	(861)
Sonstige betriebliche Aufwendungen	(65)	(58)	(105)	(137)	(119)
Betriebliches Ergebnis EBIT	**504**	**874**	**1.219**	**860**	**999**
Finanzergebnis	**(75)**	**(207)**	**(325)**	**(394)**	**(530)**
Kombiniertes Ergebnis vor Steuern EBT	**429**	**667**	**894**	**466**	**469**
Kombiniertes Periodenergebnis nach Steuern	**179**	**333**	**519**	**265**	**56**

Ausgewählte Finanzinformationen aus der kombinierten Bilanz

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus unserer kombinierten Bilanz zum 31. März 2017 sowie zum 30. September 2016, 2015 und 2014:

	Zum 31. März	Zum 30. September		
(in EUR Mio.)	**2017**	**2016**	**2015**	**2014**
	(ungeprüft)	**(geprüft)**		
Langfristige Vermögenswerte	**9.545**	**9.434**	**9.284**	**9.396**
Geschäfts- oder Firmenwerte	881	852	804	651
Sachanlagen	7.025	6.979	6.833	7.250
Latente Steueransprüche	524	509	583	537
Kurzfristige Vermögenswerte	**6.508**	**6.558**	**9.441**	**7.707**
Vorräte	3.309	3.063	3.117	3.224
Sonstige finanzielle und andere Vermögenswerte	1.314	1.280	2.115	1.941
Zahlungsmittel und Zahlungsmitteläquivalente	1.236	1.599	3.436	1.512
Summe Aktiva	**16.053**	**15.992**	**18.725**	**17.103**
Eigenkapital	**3.254**	**2.924**	**2.651**	**826**
Langfristige Schulden	**4.764**	**4.954**	**5.834**	**5.209**
Finanzschulden	3.671	3.796	4.714	4.163
Kurzfristige Schulden	**8.035**	**8.114**	**10.240**	**11.068**
Verbindlichkeiten aus Lieferungen und Leistung	4.601	4.892	5.011	5.218
Finanzschulden	1.497	944	2.961	3.425
Sonstige finanzielle und andere Verbindlichkeiten	1.098	1.591	1.459	1.490
Summe Passiva	**16.053**	**15.992**	**18.725**	**17.103**

Ausgewählte Finanzinformationen aus der kombinierten Kapitalflussrechnung

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus unserer kombinierten Kapitalflussrechnung für die Sechsmonatszeiträume 2016/2017 und 2015/2016 sowie für die Geschäftsjahre 2015/2016, 2014/2015 und 2013/2014:

(in EUR Mio.)	Für den Sechsmonatszeitraum 2016/2017	2015/2016	Für das Geschäftsjahr 2015/2016	2014/2015	2013/2014
	(ungeprüft)		(geprüft)		
Cashflow aus der betrieblichen Tätigkeit	**(135)**	**181**	**1.173**	**1.252**	**1.124**
Cashflow aus Investitionstätigkeit	**(334)**	**155**	**512**	**(827)**	**(391)**
Cashflow aus Finanzierungstätigkeit	**95**	**(2.396)**	**(3.513)**	**1.487**	**(729)**
Wechselkurseffekte auf die Zahlungsmittel und Zahlungsmitteläquivalente	10	(15)	(11)	12	4
Veränderung der Zahlungsmittel und Zahlungsmitteläquivalente	**(364)**	**(2.075)**	**(1.839)**	**1.924**	**8**
Zahlungsmittel und Zahlungsmitteläquivalente zu Beginn der Berichtsperiode	**1.599**	**3.436**	**3.436**	**1.512**	**1.506**
Zahlungsmittel und Zahlungsmitteläquivalente zum Ende der Berichtsperiode	**1.236**	**1.363**	**1.599**	**3.436**	**1.512**

Ausgewählte andere wesentliche Finanzinformationen

Die nachfolgenden Tabellen zeigen ausgewählte andere wesentliche Finanzinformationen der Gruppe sowie, sofern anwendbar, unserer Segmente für die Sechsmonatszeiträume 2016/2017 und 2015/2016 und die Geschäftsjahre 2015/2016, 2014/2015 und 2013/2014. Bestimmte der folgenden Zahlen, Finanzkennzahlen und Anpassungen stellen keine nach IFRS definierten Finanzkennzahlen dar und sind auch sonst nicht nach international akzeptierten Rechnungslegungsstandards erstellt worden. Diese Nicht-IFRS Kennzahlen sind durch unser Management definiert und sind möglicherweise nicht mit ähnlichen Kennzahlen, die von anderen Unternehmen verwendet werden, vergleichbar.

(in EUR Mio.)	Für den Sechsmonatszeitraum 2016/2017	2015/2016	Für das Geschäftsjahr 2015/2016	2014/2015	2013/2014
	(ungeprüft)		(ungeprüft, sofern nicht anders gekennzeichnet)		
Außenumsatzerlöse (netto)	**18.608**	**18.515**	**36.549***	**37.496***	**38.970***
davon METRO Wholesale	14.867	14.535	29.000*	29.692*	30.516*
davon Real	3.718	3.945	7.478*	7.736*	8.390*
davon Sonstige	22	36	72*	67*	64*
Like-for-like Umsatzerlöswachstum (in %)[1]	(0.4)%	0.1%	0,2%	0,6%	0,6%
davon METRO Wholesale	0,4%	0,3%	0,6%	0,9%	1,0%
davon Real	(3,4)%	(0,6)%	(1,1)%	(0,8)%	(0,8)%
Belieferungsumsatzerlösanteil (in % der gesamten METRO Wholesale Außenumsatzerlöse (netto))[2]	14,2%	11,8%	12,8%	10,6%	9,4%
EBITDA[3]	859	1.207	1.918*	1.606*	1.753*
davon METRO Wholesale	755	1.079	1.700*	1.455*	1.460*
davon Real	93	138	250*	142*	175*
EBITDA-Marge (in % der Umsatzerlöse)[3]	4,6%	6,5%	5,2%	4,3%	4,5%
davon METRO Wholesale (in % der Außenumsatzerlöse (netto))	5,1%	7,4%	5,9%	4,9%	4,8%
davon Real (in % der Außenumsatzerlöse (netto))	2,5%	3,5%	3,3%	1,8%	2,1%
EBITDA vor Sonderfaktoren[4]	956	836	1.791*	1.771*	1.957*
davon METRO Wholesale	777	707	1.464*	1.461*	1.546*
davon Real	140	138	247*	222*	219*
EBITDA vor Sonderfaktoren-Marge (in % der Umsatzerlöse)[4]	5,1%	4,5%	4,9%	4,7%	5,0%

(in EUR Mio.)	Für den Sechsmonatszeitraum 2016/2017	2015/2016	Für das Geschäftsjahr 2015/2016	2014/2015	2013/2014
	(ungeprüft)		(ungeprüft, sofern nicht anders gekennzeichnet)		
davon METRO Wholesale (in % der Außenumsatzerlöse (netto))	5,2%	4,9%	5,0%	4,9%	5,1%
davon Real (in % der Außenumsatzerlöse (netto))	3,8%	3,5%	3,3%	2,9%	2,6%
EBIT[5]	504	874	1.219*	860*	999*
davon METRO Wholesale	534	872	1.271*	1.013*	999*
davon Real	24	69	108*	10*	28*
EBIT-Marge (in % der Umsatzerlöse)[5]	2,7%	4,7%	3,3%	2,3%	2,6%
davon METRO Wholesale (in % der Außenumsatzerlöse (netto))	3,6%	6,0%	4,4%	3,4%	3,3%
davon Real (in % der Außenumsatzerlöse (netto))	0,6%	1,7%	1,4%	0,1%	0,3%
EBIT vor Sonderfaktoren[6]	610	502	1.106*	1.081*	1.275*
davon METRO Wholesale	565	499	1.048*	1.061*	1.131*
davon Real	70	69	105*	93*	90*
EBIT vor Sonderfaktoren-Marge (in % der Umsatzerlöse)[6]	3,3%	2,7%	3,0%	2,9%	3,3%
davon METRO Wholesale (in % der Außenumsatzerlöse (netto))	3,8%	3,4%	3,6%	3,6%	3,7%
davon Real (in % der Außenumsatzerlöse (netto))	1,9%	1,7%	1,4%	1,2%	1,1%
Nettobetriebsvermögen (zum Bilanzstichtag)[7]	(205)	(461)	(774)	(884)	(1,000)
Nettoverschuldung (zum Bilanzstichtag)[8]	3.902	3.516	3.051	3.815	6.069
Free Cash Flow[9]	20	(5)	632	726	901
Ergebnis je Aktie (in EUR)[10]	0,45	0,89	1,39*	0,70*	0,11*

* Geprüft.

1 Like-for-like Umsatzerlöswachstum (in %) beschreibt Umsatzerlöswachstum auf einer vergleichbaren Basis oder in Bezug auf eine vergleichbare Gruppe von Standorten (d.h. Warenhäuser und Selbstbedienungswarenhäuser) oder ein fortgeführtes Geschäftskonzept in konstanter durchschnittlicher Währung. Dies beinhaltet nur das Umsatzerlösvolumen von Standorten, die weder während des Berichtsjahrs oder des vorangegangenen Jahrs neu eröffnet wurden noch geschlossen oder desinvestiert wurden und deren Geschäftsbetrieb keinen substantiellen Einwirkungen durch eine Veränderung der Verkaufsfläche infolge von Umgestaltungen oder sonstigen Konzeptveränderungen unterlag. Belieferungsumsatzerlöse sind in den Like-for-like Umsatzerlösen enthalten, es sei denn, sie sind in einer Filiale, die nicht Teil des Like-for-like-Portfolios in der jeweiligen Berichtsperiode war, oder (ii) einem neu eröffneten Lager, das hauptsächlich neue Kunden beliefert, erzielt worden. Onlineumsatzerlöse werden grundsätzlich vom Like-for-like Umsatzerlöswachstum umfasst. Umsatzerlöse aus einem erworbenen Unternehmen werden erst vom Like-for-like Umsatzerlöswachstum erfasst, nachdem das Unternehmen ein ganzes Geschäftsjahr unter unserer Leitung betrieben worden ist.

2 „Belieferungsumsatzerlöse" enthalten Umsatzerlöse aus FSD, Belieferung vom Warenhaus (*out-of-store*) Abholungen und Lieferungen nach Bezahlung, einschließlich solcher Umsatzerlöse aus erworbenen Unternehmen (z.B. die Classic Fine Foods Gruppe, die Rungis express Gruppe und die Pro à Pro Gruppe) ab ihrer jeweils erstmaligen Kombination (basierend auf Data Warehouse). Belieferungsumsatzerlösanteil ist definiert als Prozentsatz unser Belieferungserlöse für eine bestimmte Periode von unseren gesamten METRO Wholesale Außenumsatzerlösen (netto).

3 EBITDA ist definiert als kombinierter Gewinn- und Verlust für die Berichtsperiode vor Einkommensteuern, Zinserträgen, Zinsaufwendungen, Sonstigem Finanzergebnis, Ergebnisanteil aus nicht operativen, nach der Equity-Methode einbezogenen Unternehmen, Sonstigem Beteiligungsergebnis, Abschreibungen auf Anlagevermögen und Zuschreibungen. EBITDA-Marge ist auf Gruppenebene berechnet in Prozent der Gesamtumsatzerlöse und auf Segmentebene in Prozent der Außenumsatzerlöse (netto) des jeweiligen Segments.

Die nachfolgende Tabelle zeigt für die genannten Zeiträume eine Überleitung von EBITDA auf das kombinierte Periodenergebnis wie in unserem Geprüften Kombinierten Abschluss und unserem Ungeprüften verkürzten Kombinierten Zwischenabschluss dargestellt:

	Für den Sechsmonatszeitraum		**Für das Geschäftsjahr**		
(in EUR Mio.)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(ungeprüft)		**(geprüft)**		
EBITDA	**859**	**1.207**	**1.918**	**1.606**	**1.753**
Abschreibungen	(357)	(343)	(710)	(760)	(764)
Zuschreibungen	2	10	11	14	10
Ergebnisanteil aus nicht operativen, nach der Equity-Methode einbezogenen Unternehmen	0	3	3	2	9
Sonstiges Beteiligungsergebnis	(7)	0	(3)	1	78
Zinsertrag	14	22	65	55	42
Zinsaufwand	(99)	(139)	(276)	(309)	(404)
Übriges Finanzergebnis	18	(93)	(114)	(143)	(255)
Einkommensteuern	(250)	(334)	(375)	(201)	(413)
Periodenergebnis	**179**	**333**	**519**	**265**	**56**

4 EBITDA vor Sonderfaktoren ist definiert als kombinierter Gewinn- und Verlust für die Berichtsperiode vor Einkommensteueraufwand, Zinserträgen, Zinsaufwendungen, Sonstigem Finanzergebnis, Ergebnisanteil aus nicht operativen, nach der Equity-Methode einbezogenen Unternehmen, Sonstigem Beteiligungsergebnis, Abschreibungen auf Anlagevermögen, Zuschreibungen und Sonderfaktoren. EBITDA vor Sonderfaktoren-Marge ist auf Gruppenebene in Prozent der Gesamtumsatzerlöse berechnet und auf Segmentebenen in Prozent der (Netto-) Außenumsatzerlöse des jeweiligen Segments.

Als Sonderfaktoren auf EBITDA-Ebene werden in der Segmentberichterstattung Geschäftsvorfälle klassifiziert, die nicht regelmäßig wiederkehrend sind, darunter zum Beispiel (i) Änderungen im Kombinierungsportfolio, (ii) Restrukturierungs- und Effizienzsteigerungsmaßnahmen, (iii) Risikovorsorgen und (iv) bestimmte sonstige Sonderfaktoren, insbesondere Prozesskosten.

Die nachfolgende Tabelle zeigt für die genannten Zeiträume eine Aufschlüsselung der Sonderfaktoren auf EBITDA-Ebene nach Kategorien:

	Für den Sechsmonatszeitraum		**Für das Geschäftsjahr**		
(in EUR Mio.)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(ungeprüft)		**(geprüft)**		
Sonderfaktoren	**96**	**(370)**	**(127)**	**165**	**204**
davon Änderungen im Kombinierungsportfolio	0	(444)	(454)	(51)	(4)
davon Restrukturierungs- und Effizienzsteigerungsmaßnahmen	69	76	283	169	138
davon Risikovorsorgen	—	—	0	14	0
davon sonstige Sonderfaktoren	27	(2)	45	32	70

Die nachfolgende Tabelle zeigt für die genannten Zeiträume eine Überleitung von EBITDA vor Sonderfaktoren auf das kombinierte Gesamtergebnis wie in unserem Geprüften Kombinierten Abschluss und unserem Ungeprüften Verkürzten Kombinierten Zwischenabschluss dargestellt:

(in EUR Mio.)	Für den Sechsmonatszeitraum 2016/2017	2015/2016	Für das Geschäftsjahr 2015/2016	2014/2015	2013/2014
	(ungeprüft)		(geprüft)		
EBITDA vor Sonderfaktoren	**956**	**836**	**1.791**	**1.771**	**1.957**
Sonderfaktoren	(96)	370	127	(165)	(204)
davon METRO Wholesale	(22)	372	236	(7)	(86)
davon Real	(47)	0	3	(80)	(43)
davon Sonstige	(28)	(1)	(112)	(77)	(79)
davon Konsolidierung	0	0	0	(1)	4
Abschreibungen	(357)	(343)	(710)	(760)	(764)
Zuschreibungen	2	10	11	14	10
Ergebnisanteil aus nicht operativen, nach der Equity-Methode einbezogenen Unternehmen	0	3	3	2	9
Sonstiges Beteiligungsergebnis	(7)	0	(3)	1	78
Zinsertrag	14	22	65	55	42
Zinsaufwand	(99)	(139)	(276)	(309)	(404)
Übriges Finanzergebnis	18	(93)	(114)	(143)	(255)
Einkommensteuern	(250)	(334)	(375)	(201)	(413)
Kombinierter Gewinn/Verlust für die Berichtsperiode	**179**	**333**	**519**	**265**	**56**

[5] EBIT ist definiert als kombinierte Gewinne und Verluste für die Berichtsperiode vor Einkommensteuern, Zinserträgen, Zinsaufwendungen, Sonstigem Finanzergebnis, Ergebnisanteil aus nicht operativen, nach der Equity-Methode einbezogenen Unternehmen und Sonstigem Beteiligungsergebnis. EBIT-Marge ist auf Gruppenebene in Prozent der Gesamtumsatzerlöse berechnet und auf Segmentebene in Prozent der (Netto-) Außenumsatzerlöse des jeweiligen Segments.

[6] EBIT vor Sonderfaktoren ist definiert als kombinierte Gewinne und Verluste für die Berichtsperiode vor Einkommensteuern, Zinserträgen, Zinsaufwendungen, Sonstigem Finanzergebnis, Ergebnisanteil aus nicht operativen, nach der Equity-Methode einbezogenen Unternehmen, Sonstigem Beteiligungsergebnis und Sonderfaktoren. EBIT vor Sonderfaktoren-Marge ist auf Gruppenebene in Prozent der Gesamtumsatzerlöse berechnet und auf Segmentebene in Prozent der (Netto-) Außenumsatzerlöse des jeweiligen Segments.

Als Sonderfaktoren auf EBIT-Ebene werden in der Segmentberichterstattung Geschäftsvorfälle klassifiziert, die nicht regelmäßig wiederkehrend sind, darunter zum Beispiel (i) Änderungen im Kombinierungsportfolio, (ii) Restrukturierungs- und Effizienzsteigerungsmaßnahmen, (iii) Risikovorsorgen und (iv) bestimmte sonstige Sonderfaktoren, insbesondere einschließlich Prozesskosten.

Die nachfolgende Tabelle zeigt für die genannten Zeiträumen eine Aufschlüsselung der Sonderfaktoren auf EBIT-Ebene nach Kategorien:

(in EUR Mio.)	Für den Sechsmonatszeitraum 2016/2017	2015/2016	Für das Geschäftsjahr 2015/2016	2014/2015	2013/2014
	(ungeprüft)		(geprüft)		
Sonderfaktoren	**106**	**(372)**	**(113)**	**221**	**275**
davon Änderungen im Kombinierungsportfolio	0	(444)	(454)	(49)	25
davon Restrukturierungs- und Effizienzsteigerungsmaßnahmen	79	75	296	201	168
davon Risikovorsorgen	—	—	0	26	0
davon sonstige Sonderfaktoren	27	(2)	45	42	83

Die nachfolgende Tabelle zeigt für die genannten Zeiträume eine Überleitung von EBIT vor Sonderfaktoren auf den EBIT, wie in unserem Geprüften Kombinierten Abschluss und unserem Ungeprüften Verkürzten Kombinierten Zwischenabschluss dargestellt:

(in EUR Mio.)	Für den Sechsmonatszeitraum 2016/2017	2015/2016	Für das Geschäftsjahr 2015/2016	2014/2015	2013/2014
	(ungeprüft)		(geprüft)		
EBIT vor Sonderfaktoren	**610**	**502**	**1.106**	**1.081**	**1.275**
Sonderfaktoren	(106)	372	113	(221)	(275)
davon METRO Wholesale	(31)	373	222	(48)	(133)
davon Real	(47)	0	3	(83)	(62)
davon Sonstige	(28)	(1)	(112)	(89)	(85)
davon Konsolidierung	0	0	0	(1)	4
EBIT	**504**	**874**	**1.219**	**860**	**999**

[7] Nettobetriebsvermögen ist definiert als Saldo von Vorräten, Forderungen aus Lieferungen und Leistungen, Verbindlichkeiten aus Lieferungen und Leistungen sowie Forderungen an Lieferanten.

[8] Nettoverschuldung ist definiert als Finanzschulden einschließlich Verbindlichkeiten aus Finanzierungs-Leasing minus Zahlungsmittel und Zahlungsmitteläquivalente und minus kurzfristige Geldanlagen.

[9] Free Cash Flow ist definiert als EBITDA abzüglich Investitionen mit Ausnahme von Zugängen zu Finanzierungs-Leasing zuzüglich oder abzüglich, wie einschlägig, Änderungen im Nettobetriebsvermögen. Im Geschäftsjahr 2015/2016 und im Sechsmontaszeitraum 2015/2016, umfasste der Free Cash Flow Erträge aus der Veräußerung unseres Großhandelsgeschäfts in Vietnam, die adjustiert wurden, um eine adäquatere Darstellung unserer operativen Geschäftsentwicklung und der zugrundeliegenden Cash Flows in der entsprechenden Periode zu gewährleisten.

[10] Ergebnis je Aktie ist definiert als unsere kombinierten Gewinne oder Verluste für die Berichtsperiode geteilt durch die Anzahl an Aktien, die zum Datum der Börsenzulassung (wie nachfolgend unter C.6 definiert) erwartungsgemäß bestehen werden, und wird auf Basis der Gesamtanzahl von 363.097.253 Aktien berechnet. Da keine solcher Aktien während der Prüfungsperiode existierten, stellt dies keine unter IFRS erforderliche Offenlegung dar.

Wesentliche Änderungen der Finanzlage und des operativen Ergebnisses des Emittenten.

Jüngste Entwicklungen

Wir hatten einen vielversprechenden Start des dritten Quartals des Geschäftsjahrs, das am 30. September 2017 endet: Insbesondere setzten die zu unserem METRO Wholesale-Segment zurechenbaren Umsätze ihre positive Entwicklung fort, indem sie, verglichen mit der Periode im vorherigen Geschäftsjahr, auf einer Like-for-like Basis anstiegen. Diese Entwicklung beruhte insbesondere auf dem Ostergeschäft im April 2017 (gegenüber März 2016), das generell eine positive Auswirkung auf unsere Umsätze in Ländern mit einer vorwiegend katholischen Bevölkerung hatte. Zudem setzte sich die gute Entwicklung unseres Lebensmittelbelieferungsgeschäfts fort. Zusätzlich hatten Wechselkurseffekte, insbesondere in Bezug auf den stabilisierten russischen Rubel eine positive Auswirkung auf unsere Umsätze seit dem 31. März 2017. Nach einer anspruchsvollen Ersten Hälfte von 2016/2017 erfuhren die Umsätze, die unserem Real-Segment zurechenbar sind, eine Verbesserung zum Beginn des dritten Quartals des Geschäftsjahrs, das am 30. September 2017 endet, und, auf einer Like-for-like Basis, stiegen sie verglichen mit der Periode im vorherigen Geschäftsjahr an, untermauert durch ein starkes Ostergeschäft im April 2017 sowie bestimmte Kalendereffekte. Zusätzlich hat das fortgesetzte Wachstum unseres Real Onlinegeschäfts zu dieser Umsatzentwicklung beigetragen.

Sechsmonatszeiträume 2016/2017 und 2015/2016

Im Sechsmonatszeitraum 2016/2017 erhöhte sich unser Umsatz um EUR 92 Mio., oder 0,5%, auf EUR 18.608 Mio. von EUR 18.515 Mio. im Sechsmonatszeitraum 2015/2016.

Der Hauptgrund für diese Steigerung war ein Anstieg unserem METRO Wholesale-Segment zurechenbarer Außenumsatzerlöse (netto), die um EUR 332 Mio., oder 2,3%, auf EUR 14.867 Mio. in der Sechsmonatsperiode 2016/2017 von EUR 14.535 Mio. in der Sechsmonatsperiode 2015/2016 gestiegen sind. Dieser Anstieg ergab sich hauptsächlich aus einer deutlichen Steigerung der unserem METRO Wholesal-Segment zurechenbaren Belieferungsumsätze. Belieferungsumsätze stiegen von ungefähr EUR 1,7 Mrd. in der Sechsmonatsperiode 2015/2016 auf ungefähr EUR 2,1 Mrd. in der Sechsmonatsperiode 2016/2017. Diese Steigerung ergab sich zu einem gewissen Teil aus der Akquisition der Rungis express-Gruppe mit Wirkung zum 1. April 2016 (Außenumsätze (netto) von EUR 68 Mio. zurechenbar zu unserem METRO Wholesale-Segment in der ersten Hälfte von 2016/2017 seit

Erstkonsolidierung) und der Pro à Pro-Gruppe mit Wirkung zum 1. Februar 2017 (Außenumsätze (netto) von EUR 124 Mio. zurechenbar zu unserem METRO Wholesale-Segment in der ersten Hälfte von 2016/2017 seit Erstkonsolidierung), woraus sich im Vergleich zu der Sechsmonatsperiode 2015/2016 zusätzliche Belieferungsumsätze in der Sechsmonatsperiode 2016/2017 ergaben. Ungeachtet der vorgenannten Akquisitionen realisierte unser Belieferungsgeschäft in der Sechsmonatsperiode 2016/2017 auch ein signifikantes organisches Wachstum gestützt auf die Nutzbarmachung unseres bestehenden Warenhausnetzwerks mittels Lieferung ab Markt (out-of-store) und den Ausbau unseres Netzwerks von Auslieferungsdepots.

Darüber hinaus hatten Wechselkursveränderungen betreffend die Außenumsatzerlöse (netto) des METRO Wholesale-Segments einen positiven Effekt in der Sechsmonatsperiode 2016/2017. Auf Basis konstanter Wechselkurse, d.h. wenn man die Umsatzerlöse in der Sechsmonatsperiode 2015/2016 mit den durchschnittlichen Wechselkursen der Sechsmonatsperiode 2016/2017 umrechnet, wäre die Steigerung der Außenumsatzerlöse (netto) des METRO Wholesale-Segments in der Sechsmonatsperiode 2016/2017 um EUR 165 Mio. geringer ausgefallen. Die Umsatzauswirkungen der Wechselkursveränderungen ergaben sich überwiegend aus der Stärke des russischen Rubel, aber auch der pakistanischen und indischen Rupie sowie des japanischen Yen, die negative Währungseffekte aus der Abwertung der türkischen Lira, des chinesischen Renminbi, der ukrainischen Hryvnia, des romänischen Lej und des polnischen Zloty in der Sechsmonatsperiode 2016/2017 mehr als wettmachten.

Ein Gegeneffekt ergab sich aus der Veräußerung unseres Großhandelsgeschäfts in Vietnam im Dezember 2015. In Folge dessen steuerte unser Großhandelsgeschäft in Vietnam in der Sechmonatsperiode 2015/2016 noch Umsätze in Höhe von EUR 118 Mio. bei, wohingegen sich in der Sechsmonatsperiode 2016/2017 kein Umsatzbeitrag mehr ergab.

Auf flächenbereinigter Basis stiegen die unserem METRO Wholesale-Segment zurechenbaren Umsätze in der Sechsmonatsperiode 2016/2017 um 0,4% gegenüber der Sechmonatsperiode 2015/2016 trotz bestimmter Kalendereffekte; unter anderem entfiel ein Verkaufstag in der Sechsmonatsperiode 2016/2017 im Vergleich zu der Sechsmonatsperiode 2015/2016, die ein Schaltjahr beinhaltet, und das Ostergeschäft fiel in den April 2017 (d.h. in das dritte Quartal unseres Geschäftsjahres) und nicht wie in 2016 in den März (d.h. in das zweite Quartal unseres Geschäftsjahres). Flächenbereinigte Umsätze in lokaler Währung stiegen am namhaftesten in der Türkei, in China, in der Ukraine, in Indien, Pakistan und Rumänien, wohingegen die flächenbereinigten Umsätze am deutlichsten in Deutschland und den Niederlanden aufgrund der andauernden Transformation und schwieriger Wettberwerbsbedingen gefallen sind. Russland konnte auf flächenbereinigter Basis und in lokaler Währung ebenfalls das Vorjahresniveau aufgrund schwieriger Marktbedingungen mit hohen Preisinvestitionen wie z.B. Absatzförderung und Rabatten nicht erreichen.

Die unserem Real-Segment zurechenbaren Außenumsätze (netto) sanken demgegenüber um EUR 226 Mio., oder 5,7%, auf EUR 3.718 Mio. in der Sechsmonatsperiode 2016/2017 von EUR 3.945 Mio. in der Sechsmonatsperiode 2015/2016. Dieser Rückgang der Außenumsätze (netto) in unserem Real-Segment ergab sich zum erheblichen Teil aus der Schließung von neun Verbraucherselbstbedienungsläden und darüberhinaus aus den oben genannten Kalendereffekten. Flächenbereinigt sanken die unserem Real-Segment zurechenbaren Umsätze in der Sechmonatsperiode mit 3,4% weniger ausgeprägt trotz eines weiterhin ausgesprochen schwierigen, durch Wettbewerbsdruck geprägten Marktumfeldes und aufgrund der vorgenannten Kalendereffekte. Ein ausgleichender Effekt ergab sich aus der positiven Entwicklung der dem Real-Segment zuzurechenden Onlineumsätze, die in der ersten Hälfte von 2016/2017 auf ungefähr EUR 53 Mio. gegenüber ungefähr EUR 37 Mio. in der ersten Hälfte von 2015/2016 gestiegen sind, wozu insbesondere organisches Wachstum und die Akquisition von Hitmeister.de sowie deren anschließende Integration in unsere Onlineplatform real.de im Februar 2017 beitrugen.

In der Sechsmonatsperiode 2016/2017 sank unser Betriebsergebnis (EBIT) um EUR 369 Mio., oder 42,3%, auf EUR 504 Mio. von EUR 874 Mio. in der Sechsmonatsperiode 2015/2016. In Prozent vom Umsatz sank unser Betriebsergebnis (EBIT) von 4,7% in der Sechmonatsperiode 2015/2016 auf 2,7% in der Sechsmonatsperiode 2016/2017.

In absoluten Werten war dieser Rückgang unseres Betriebergebnisses zum größen Teil unserem METRO Wholesale-Segment zuzurechnen, wo das Betriebsergebnis (EBIT) des Segments um EUR 338 Mio., oder 38,8% auf EUR 534 Mio., in der Sechsmonatsperiode 2016/2017 von EUR 872 Mio. in der Sechsmonatsperiode 2015/2016 zurückging. Dieser Rückgang ergab sich im Wesentlichen aus der Veräußerung unseres Großhandelsgeschäfts in Vietnam im Dezember 2015, woraus sich ein Beitrag zum Betriebsergebnis (EBIT) aus der Dekonsolidierung in Höhen von EUR 437 Mio. in der Sechsmonatsperiode 2015/2016 ergab, ohne einen entsprechenden Beitrag in der Sechmonatsperiode 2016/2017. Aufgrund ihrer außerordentlichen Natur wurde die Veräußerung auf Ebene des Betriebsergebnisses (EBIT) als Sonderfaktor klassifiziert. Demgegenüber betrafen Sonderfaktoren in der Sechsmonatsperiode 2016/2017 überwiegend Aufwendungen für Restrukturierungsmaßnahmen, unter anderem betreffend geplante Schließungen von Warenhäusern und Maßnahmen zur Effizienzsteigerung, die in erheblichen Maße eine Bereinigung unseres Gesamtsortiment in Belgien sowie die Reorganisation bestimmter Holdingfunktionen in unserer Unternehmenszentrale in Düsseldorf betrafen. Insgesamt wies unser METRO Wholesale-Segment in der ersten Hälfte von 2015/2016 positive Sonderfaktoren in Höhe von EUR 373 Mio. gegenüber negativen Sonderfaktoren in Höhe von 31 Mio. in der ersten Hälfte von 2016/2017 aus.

Nach Bereinigung der Effekte aus diesen Sonderfaktoren stieg unser dem METRO Wholesale-Segment zurechenbares Betriebsergebnis (EBIT) um EUR 66 Mio., oder 13,2%, auf EUR 565 Mio. in der Sechsmonatsperiode 2016/2017 von

EUR 499 Mio. in der Sechsmonatsperiode 2015/2016. Diese Verbesserung resultierte hauptsächlich aus dem Beitrag zum Betriebergebnis (EBIT) von EUR 81 Mio. aus einer Immobilientransaktion in China sowie positiven Wechselkurseffekten vorwiegend betreffend den russischen Rubel, die unser Betriebsergebnis (EBIT) vor Sonderfaktoren posistiv beeinflussten. Darüberhinaus trugen Einsparungen aus der Reorganisation unserer Unternehmenzentrale in Düsseldorf, die im Geschäftsjahr 2015/2016 eingeleitet wurde, die gute operative Entwicklung in ausgewählten Ländern wie China, der Türkei, Rumänien und Polen sowie, in geringerem Umfang, die erstmalige Konsolidierung der Pro à Pro-Gruppe zur Verbesserung unseres dem METRO Wholesale-Segment zurechenbaren Betriebsergebnisses (EBIT) vor Sonderfaktoren bei. Demgegenüber beeinflussten der erhebliche Preiswettbewerb, insbesondere in Russland, sowie bestimmte Warenhausumbauten insbesondere in den Niederlanden und Belgien unser Betriebsergebnis (EBIT) vor Sonderfaktoren in der Sechsmonatsperiode 2016/2017 negativ. Ein geringerer Negativeffekt ergab sich zudem aus der Veräußerung unserer Großhandelsaktivitäten in Vietnam, welcher unser Betriebsergebnis (EBIT) vor Sonderfaktoren beeinflusste, weil dieses Geschäft in der ersten Hälfte von 2015/2016 noch EUR 7 Mio. zu unserem Betriebsergebnis (EBIT) vor Sonderfaktoren beigesteuert hatte, während sich in der ersten Hälfte von 2016/2017 kein Beitrag mehr ergab.

Das unserem Real-Segment zurechenbare Betriebsergebnis (EBIT) sank um EUR 45 Mio., oder 65,6%, auf EUR 24 Mio. in der Sechsmonatsperiode 2016/2017 von EUR 69 Mio. in der Sechsmonatsperiode 2015/2016, da das Segment-Betriebsergebnis (EBIT) in der Sechsmonatsperiode im besonderen Maße von als Sonderfaktoren klassifizierten Aufwendungen in Höhe von EUR 47 Mio. bezüglich der Reorganisation und Restrukturierung von Reals Verwaltungsapparat, die eine Reduzierung von bis zu 500 Vollzeitäquivalenten bis Mitte 2018 beinhalten sollen, betroffen war. Nach Bereinigung dieser Effekte aus Sonderfaktoren auf Ebene unseres Betriebsergebnisses (EBIT) stieg unser Betriebsergebnis (EBIT) vor Sonderfaktoren für das Real-Segment leicht von EUR 69 Mio. in der Sechsmonatsperiode 2015/2016 um EUR 1 Mio., oder 2,0%, auf EUR 70 Mio. aufgrund der Schließung von verlustbringenden Selbstbedienungsverbrauchermärkten, verbesserten Einkaufskonditionen, einem einmaligen Erlös aus dem Verkauf der die Real-Verwaltung beheimatenden Immobilie in Möchengladbach im Rahmen der Restrukturierung unserer Unternehmenszentrale, geringerer Personalkosten sowie Effekten aus der Zusammenarbeit mit der Handels- und Dienstleistungskooperation Markant an.

Das Betriebergebnis (EBIT) unseres Segments Sonstiges stieg um EUR 13 Mio., oder 20,0% auf EUR (51) Mio. in der ersten Hälfte von 2016/2017 von EUR (64) Mio. in der ersten Hälfte von 2015/2016. In der Sechsmonatsperiode 2016/2017 wurde unser Betriebsergebnis (EBIT) unseres Segments Sonstiges geprägt von höheren Aufwendungen, die auf Ebene des Betriebsergebnisses (EBIT) als Sonderfaktoren qualifiziert wurden und EUR 28 Mio. in der Sechsmonatsperiode 2016/2017 betrugen und überwiegend Einmalaufwendungen im Zusammenhang mit der Aufspaltung und Börsenzulassung

betrafen, im Vergleich zu negativen Sonderfaktoren in der Höhe von EUR 1 Mio. in der Sechsmonatsperiode 2015/2016. Nach Bereinigung dieser Effekte aus Sonderfaktoren auf Ebene unseres Betriebsergebnisses (EBIT) stieg das Betriebsergebnis (EBIT) vor Sonderfaktoren des Segment Sonstiges um EUR 39 Mio., oder 62,8% von EUR (62) Mio. in der Sechsmonatsperiode 2015/2016 auf EUR (23) Mio. in der Sechsmonatsperiode 2016/2017. Dieser Anstieg des Betriebsergebnisses (EBIT) vor Sonderfaktoren unsers Segments Sonstiges resultierte hauptsächlich aus dem Verkauf des Miteigentums an einem Immobilie in München (EUR 42 Mio.), das hauptsächlich von Media-Saturn genutzt wurde, in der ersten Hälfte von 2016/2017 und wurde teilweise von höheren Kosten, darunter höheren Aufwendungen für bestimmte Innovationsprojekte betreffend unsere HoReCa Digital Einheit, aufgewogen.

Geschäftsjahre 2015/2016 und 2014/2015

Im Geschäftsjahr 2015/2016 verringerte sich unser Umsatz um EUR 946 Mio., oder 2,5%, auf EUR 36.549 Mio. von EUR 37.496 Mio. im Geschäftsjahr 2014/2015.

Hauptgrund für diese Verringerung war ein dem METRO Wholesale-Segment zurechenbarer Umsatzrückgang mit einer Verringerung der Außenumsatzerlöse (netto) um EUR 693 Mio., oder 2,3%, auf EUR 29.000 Mio. im Geschäftsjahr 2015/2016 von EUR 29.692 Mio. im Geschäftsjahr 2014/2015. Diese Verringerung der Außenumsatzerlöse (netto) unseres METRO Wholesale-Segments war in erheblichem Maße auf negative Effekte aus Wechselkursveränderungen sowie in geringerem Maße auf ausgewählte Veräußerungen, insbesondere der Veräußerung unserer Großhandelsaktivitäten in Vietnam, zurückzuführen. Inbesondere Effekte aus Wechselkursschwankungen haben die Außenumsatzerlöse (netto) des METRO Wholesale-Segments negativ beeinflusst. Auf Basis konstanter Wechselkurse, d.h. wenn man die Umsatzerlöse im Geschäftsjahr 2014/2015 mit den durchschnittlichen Wechselkursen des Geschäftsjahrs 2015/2016 umrechnet, wäre die Steigerung der Außenumsatzerlöse (netto) des METRO Wholesale-Segments im Geschäftsjahr 2015/2016 um EUR 803 Mio. geringer ausgefallen Diese Effekte aus Wechselkursveränderungen auf unseren Umsatz bezogen sich überwiegend auf die anhaltende Abwertung des russischen Rubels gegenüber dem Euro. Ferner wurden der ukrainische Hrivna, die türkische Lira und der chinesische Renminbi im Geschäftsjahr 2015/2016 ebenfalls abgewertet, was sich negativ auf unseren in Euro ausgewiesenen Umsatz auswirkte. Die Veräußerung unserer Großhandelsaktivitäten in Vietnam wurde im Dezember 2015 abgeschlossen; dies bedeutet, dass dieses Geschäft im Geschäftsjahr 2015/2016 nur drei volle Monate zu unserem Umsatz beitrug, während es im vorhergehenden Geschäftsjahr einen Umsatzbeitrag über die gesamte Berichtsperiode leistete. Daher hatte die Veräußerung eine negative Auswirkung auf die Außenumsatzerlöse (netto) unseres METRO Wholesale-Segments, da es aufgrund des veräußerten Geschäfts im Geschäftsjahr 2015/2016 einen Umsatzbeitrag von EUR 118 Mio. gegenüber einem Umsatzbeitrag von EUR 507 Mio. im Geschäftsjahr 2014/2015 gab.

Diese negativen Effekte wurden zum Teil durch eine erhebliche Erhöhung der dem METRO Wholesale-Segment

zuzuordnenden Belieferungsumsatzerlöse kompensiert. Belieferungsumsatzerlöse stiegen von ca. EUR 3.100 Mio. in 2014/2015 auf ca. EUR 3.700 Mio. im Geschäftsjahr 2015/2016 an. Grund für diesen Anstieg war zum Teil der Erwerb der Classic Fine Foods Gruppe, die wir zum ersten Mal am 1. September 2015 konsolidierten; dies bedeutet, dass der diesem Geschäft zuzuordnende Umsatz im Geschäftsjahr 2014/2015 lediglich für einen Monat miteinbezogen war, während das Geschäft im Geschäftsjahr 2015/2016 einen Umsatzbeitrag über die gesamte Berichtsperiode leistete. Ferner führte der Erwerb der Rungis express Gruppe mit Wirkung zum 1. April 2016 zu zusätzlichen Belieferungsumsatzerlösen für sechs Monate im Geschäftsjahr 2015/2016. Auch generierte unser Belieferungsgeschäft im Geschäftsjahr 2015/2016 wesentliches organisches Wachstum durch das wirksame Einsetzen unseres bestehenden Warenhausnetzwerkes durch Kapazitäten für die Lieferung ab Markt (out-of-store) sowie den Ausbau unseres Netzwerks von Auslieferungsdepots. Auf Kundengruppenebene wurde das Belieferungsgeschäft in erster Linie durch eine Steigerung des Umsatzanteils der HoReCa Kunden in dieser Periode, verglichen mit dem vorangegangen Geschäftsjahr, angetrieben. Ferner trugen im Geschäftsjahr 2015/2016 die Eröffnungen von Warenhäusern – überwiegend in unseren wichtigsten Expansionsländern einschließlich Russland, China und Indien – ebenfalls positiv zu unseren Außenumsatzerlösen (netto) unseres METRO Wholesale-Segments gegenüber dem vorhergehenden Geschäftsjahr bei.

Auch die unserem Real-Segment zuzuordnenden Außenumsatzerlöse (netto) sanken im Geschäftsjahr 2015/2016 um EUR 259 Mio., oder 3,3%, auf EUR 7.478 Mio., von EUR 7.736 Mio. im Geschäftsjahr 2014/2015, im Wesentlichen aufgrund von Portfoliooptimierungen, insbesondere die Schließung ausgewählter leistungsschwacher Selbstbedienungswarenhäuser im Kontext der strategischen Repositionierung von Real im deutschen Lebensmitteleinzelhandel, wodurch wir die Gesamtanzahl an Selbstbedienungswarenhäusern von 293 zum 30. September 2015 auf 285 zum 30. September 2016 verringerten. Auf Like-for-like-Basis sank der unserem Real-Segment zuzuordnende Umsatz im Geschäftsjahr 2015/2016 weniger stark, um 1,1%, unter erneut herausfordernden, durch intensiven Wettbewerb gekennzeichneten Marktbedingungen. Diese Entwicklung war zum Teil auf die Modernisierung von weiteren 57 Selbstbedienungswarenhäusern im Geschäftsjahr 2014/2015 im Rahmen unseres Big Bang-Programms umgestalteten Selbstbedienungswarenhäusern, Effekten aus der Modernisierung von 50 Selbstbedienungswarenhäusern im vorherigen Geschäftsjahr sowie unsere erneute Fokussierung auf Kundenorientierung und Flächenproduktivität zurückzuführen; Maßnahmen, welche im Geschäftsjahr 2014/2015 eingeführt wurden und sich zunehmend positiv im Geschäftsjahr 2015/2016 auswirkten.

Im Geschäftsjahr 2015/2016 stieg unser Betriebsergebnis (EBIT) um EUR 358 Mio., oder 41,6%, auf EUR 1.219 Mio. von EUR 860 Mio. im Geschäftsjahr 2014/2015 an. In Prozent vom Umsatz stieg unser EBIT von 2,3% im Geschäftsjahr 2014/2015 auf 3,3% im Geschäftsjahr 2015/2016 an.

In absoluten Zahlen war dieser starke EBIT-Anstieg größtenteils auf unser METRO Wholesale-Segment zurückzuführen, in dem das EBIT um EUR 258 Mio., oder 25,5%, auf EUR 1.271 Mio. im Geschäftsjahr 2015/2016 von EUR 1.013 Mio. im Geschäftsjahr 2014/2015 anstieg. Dieser Anstieg wurde insbesondere von der vorher erwähnten Veräußerung unserer Großhandelsaktivitäten in Vietnam im Dezember 2015 getrieben, mit einem EBIT-Beitrag resultierend aus der Entkonsolidierung in Höhe von EUR 446 Mio. im Geschäftsjahr 2015/2016. Diese Veräußerung wurde aufgrund ihres nichtwiederkehrenden und außergewöhnlichen Charakters als Sonderfaktor auf EBIT-Ebene eingestuft, dessen positive Auswirkung jedoch zum Teil durch andere nicht regelmäßig wiederkehrende Faktoren betreffend Aufwendungen im Zusammenhang mit Restrukturierungs- und Effizienzsteigerungsmaßnahmen aufgehoben wurde. In beiden Geschäftsjahren betrafen diese (negativen) Sonderfaktoren auf EBIT-Ebene hauptsächlich geplante Schließungen von Warenhäusern, unter anderem bei der METRO Cash & Carry Deutschland und im Geschäftsjahr 2015/2016 andere Restrukturierungsmaßnahmen in Bezug auf die Umsetzung unserer Wertschöpfungspläne in Belgien und den Niederlanden. Insgesamt verbuchte unser METRO Wholesale-Segment im Geschäftsjahr 2015/2016 positive Sonderfaktoren auf EBIT-Ebene in Höhe von EUR 222 Mio., während im vorhergehenden Geschäftsjahr Aufwendungen in Höhe von EUR 48 Mio. als negative Sonderfaktoren auf EBIT-Ebene eingestuft wurden.

Nach Eliminierung der Effekte aus den Sonderfaktoren auf EBIT-Ebene verringerte sich das unserem METRO Wholesale-Segment zurechenbare EBIT vor Sondereffekten um EUR 12 Mio., oder 1,2%, auf EUR 1.048 Mio. im Geschäftsjahr 2015/2016 von EUR 1.061 Mio. im Geschäftsjahr 2014/2015, hauptsächlich aufgrund der negativen Effekte aus Wechselkursschwankungen durch die Abwertung lokaler Währungen. Unter Verwendung konstanter Wechselkurse erzielte unser METRO Wholesale-Segment eine Verbesserung des EBIT vor Sonderfaktoren gegenüber dem vorhergehenden Geschäftsjahr, die auf Effizienzsteigerungen und erste positive Effekte unserer Portfoliooptimierungen zurückzuführen ist.

Das unserem Real-Segment zurechenbare EBIT stieg im Geschäftsjahr 2015/2016 um EUR 98 Mio. auf EUR 108 Mio. von EUR 10 Mio. im Geschäftsjahr 2014/2015 an, da das Segment-EBIT im Geschäftsjahr 2014/2015 insbesondere von Aufwendungen in Höhe von EUR 83 Mio., welche als Sonderfaktoren auf EBIT-Ebene eingestuft wurden und die sich überwiegend auf ausgewählte Filialschließungen, wie oben beschrieben, bezogen, betroffen wurde. Dagegen waren im Geschäftsjahr 2015/2016 die dem Real-Segment zurechenbaren Sonderfaktoren auf EBIT-Ebene positiv und beliefen sich auf EUR 3 Mio. Nach Eliminierung solcher Effekte aus Sonderfaktoren auf EBIT-Ebene stieg das EBIT vor Sondereffekten des Real-Segments ebenfalls an, jedoch weniger stark, von EUR 93 Mio. im Geschäftsjahr 2014/2015 um EUR 12 Mio., oder 13,1%, auf EUR 105 Mio., unter anderem aufgrund der Auswirkung einer Tarifeinigung (*Zukunftstarifvertrag*) mit ver.di, einer deutschen Gewerkschaft, und der Zusammenarbeit mit den Handels- und Dienstleistungskooperationen Markant und PHD, beispielsweise bezüglich gemeinsamen Einkaufs und gemeinsamer Abrechnung.

Das EBIT unseres Segments Sonstiges blieb weitgehend stabil, mit EUR (156) Mio. im Geschäftsjahr 2015/2016 gegenüber EUR (155) Mio. im vorhergehenden Geschäftsjahr.

Geschäftsjahre 2014/2015 und 2013/2014

Im Geschäftsjahr 2014/2015 verringerte sich unser Umsatz um EUR 1.474 Mio., oder 3,8%, auf EUR 37.496 Mio. von EUR 38.970 Mio. im Geschäftsjahr 2013/2014.

Hauptgrund für diese Verringerung war der unserem METRO Wholesale-Segment zurechenbare Umsatzrückgang mit einer Verringerung der Außenumsatzerlöse (netto) um EUR 823 Mio., oder 2,7%, auf EUR 29.692 Mio. im Geschäftsjahr 2014/2015 von EUR 30.516 Mio. im Geschäftsjahr 2013/2014. Diese Verringerung der Außenumsatzerlöse (netto) unseres METRO Wholesale-Segments ist zu einem wesentlichen Teil auf die negativen Effekte aus Wechselkursveränderungen, insbesondere bezogen auf den russischen Rubel, sowie auf ausgewählte Veräußerungen – einschließlich unserer Großhandelsaktivitäten in Griechenland – und die Einstellung unserer Großhandelsaktivitäten in Ägypten (im Februar 2014) und Dänemark (im Dezember 2014) zurückzuführen.

Diese negativen Effekte wurden zum Teil durch einen Anstieg der Belieferungsumsatzerlöse kompensiert. Belieferungsumsatzerlöse stiegen von ca. EUR 2.900 Mio. im Geschäftsjahr 2013/2014 auf ca. EUR 3.100 Mio. im Geschäftsjahr 2014/2015 an. Der Großteil des Anstiegs resultierte aus dem kontinuierlichen Wachstum unserer auf Lieferung außerhalb der Märkte (out-of-store) bezogenen Dienstleistungen, insbesondere in China und Märkten mit einer starken HoReCa-Fokussierung wie z. B. Deutschland, Frankreich und Italien, während lediglich ein kleiner Teil davon dem Erwerb der Classic Fine Foods Gruppe, welche im Geschäftsjahr 2014/2015 aufgrund ihrer Erstkombinierung zum 1. September 2015 nur einen vollen Monat zum Umsatz beitrug, zuzuordnen ist.

Die dem Real-Segment zurechenbaren Außenumsatzerlöse (netto) sanken im Geschäftsjahr 2014/2015 um EUR 654 Mio., oder 7,8%, auf EUR 7.736 Mio., von EUR 8.390 Mio. im Geschäftsjahr 2013/2014. Diese Verringerung war hauptsächlich auf die Veräußerung des polnischen und türkischen Geschäfts des Segments zurückzuführen, welches im Geschäftsjahr 2013/2014 zum Teil zum Umsatz beigetragen hatte. Ferner führte die fortlaufende Optimierung des Filialnetzwerks von Real in Deutschland zu 14 Filialschließungen im Geschäftsjahr 2014/2015 und hatte auch einen negativen Effekt auf den Umsatz. Auf Like-for-like-Basis sank der Umsatz von Real in Deutschland im Geschäftsjahr 2014/2015 um 0,8% gegenüber dem vorhergehenden Geschäftsjahr, insbesondere aufgrund des anhaltenden intensiven Wettbewerbs im Lebensmitteleinzelhandelsmarkt sowie veränderter Verbraucherpräferenzen. Allerdings wirkte sich unser Filialmodernisierungsprogramm, auf dessen Basis im Laufe des Geschäftsjahres 2013/2014 50 Filialen modernisiert wurden, positiv auf Umsatzvolumen und Kundenfrequenz aus.

Im Geschäftsjahr 2014/2015 verringerte sich unser Betriebsergebnis (EBIT) um EUR 139 Mio. oder 13,9%, auf EUR 860 Mio., von EUR 999 Mio. im Geschäftsjahr 2013/2014.

In Prozent des Umsatzes verringerte sich unser EBIT von 2,6% im Geschäftsjahr 2013/2014 auf 2,3% im Geschäftsjahr 2014/2015.

Diese EBIT-Verringerung bezog sich hauptsächlich, sowohl in absoluten Zahlen als auch relativ betrachtet, auf unser Segment Sonstiges, in dem das EBIT um EUR 123 Mio. von EUR (32) Mio. im Geschäftsjahr in 2013/2014 auf EUR (155) Mio. im Geschäftsjahr 2014/2015 sank, was insbesondere auf die einmaligen Aufwendungen im Zusammenhang mit der Neuausrichtung der Logistikstrukturen in Deutschland zurückzuführen war. Nach Eliminierung der Effekte aus diesen und weiteren Sondereffekten auf EBIT-Ebene (welche im Geschäftsjahr 2013/2014 überwiegend Risikovorsorge für Rechtsstreitigkeiten und Mietgarantien betrafen) verringerte sich das EBIT vor Sondereffekten unseres Segments Sonstiges im Geschäftsjahr 2014/2015 ebenfalls signifikant um EUR 119 Mio. auf EUR (66) Mio., von EUR 53 Mio. im Geschäftsjahr 2013/2014. Insbesondere hatten im Geschäftsjahr 2014/2015 höhere Projektkosten für die Verrechnungspreis-Überwachung, Logistikstrategie, Rechtsberatungshonorare und Beratung für die Einrichtung unseres ersten Accelerator-Programms, zusätzliche Mietaufwendungen und niedrigere Mieterträge negative Auswirkungen auf unser Segment Sonstiges. Weitere Kostensteigerungen resultierten aus der Errichtung neuer Funktionen wie Business-Innovation und aus dem Ausbau der Abteilung für IT Strategie, sowie aus Beraterkosten betreffend die Vorbereitung des Classic Fine Food Erwerbs.

Ferner verringerte sich das dem Real-Segment zurechenbare EBIT im Geschäftsjahr 2014/2015 um EUR 18 Mio. auf EUR 10 Mio., von EUR 28 Mio. im Geschäftsjahr 2013/2014. Diese Verringerung bezog sich insbesondere auf die anhaltenden Restrukturierungsmaßnahmen, welche als Sondereffekte auf EBIT-Ebene verbucht wurden und die in beiden Geschäftsjahren überwiegend Schließungen von Selbstbedienungsverbrauchermärkten betrafen. Nach Eliminierung von Sondereffekten auf EBIT-Ebene stieg das EBIT vor Sondereffekten des Real-Segments um EUR 3 Mio., oder 3,6%, an, von EUR 90 Mio. im Geschäftsjahr 2013/2014 auf EUR 93 Mio. im Geschäftsjahr 2014/2015. Dieser Anstieg war insbesondere auf die negativen Ergebnisbeiträge von Real Polen zurückzuführen, welche bis zum zweiten Quartal eine Auswirkung auf das Geschäftsjahr 2013/2014 hatten.

Als gegenläufiger Effekt stieg das unserem METRO Wholesale-Segment zurechenbare EBIT im Geschäftsjahr 2014/2015 um EUR 14 Mio., oder 1,4%, auf EUR 1.013 Mio., von EUR 999 Mio. im Geschäftsjahr 2013/2014. Dieser Anstieg war jedoch hauptsächlich auf geringere außerordentliche Aufwendungen, welche als Sondereffekte auf EBIT-Ebene verbucht wurden und sich im Geschäftsjahr 2014/2015 insbesondere auf Restrukturierungs- und Effizienzsteigerungsmaßnahmen bezogen, insbesondere bei METRO Cash & Carry Deutschland, zurückzuführen. Im Geschäftsjahr 2013/2014 stammten die Sondereffekte auf EBIT-Ebene grundsätzlich aus Portfoliomaßnahmen und Restrukturierungsaufwendungen sowie Aufwendungen im Zusammenhang mit der Schließung von Warenhäusern, insbesondere durch Restrukturierungen in Belgien und den Niederlanden, den Rückzug vom dänischen

		Markt im Dezember 2014 sowie die Restrukturierungen von METRO Cash & Carry Deutschland. Nach Eliminierung der Sondereffekte auf EBIT-Ebene verringerte sich das dem METRO Wholesale-Segment zurechenbare EBIT vor Sondereffekten um EUR 71 Mio., oder 6,3%, von EUR 1.131 Mio. im Geschäftsjahr 2013/2014 auf EUR 1.061 Mio. im Geschäftsjahr 2014/2015, hauptsächlich aufgrund negativer Wechselkurseffekte, insbesondere durch die Abwertung des russischen Rubels. Unter Verwendung konstanter Wechselkurse erzielte unser METRO Wholesale-Segment eine Verbesserung des EBITs vor Sondereffekten gegenüber dem vorhergehenden Geschäftsjahr.
B.8	**Ausgewählte wesentliche Pro-forma-Finanz-informationen.**	Entfällt. Die Gesellschaft hat keine Pro-forma-Finanzinformationen erstellt.
B.9	**Gewinnprognosen oder -schätzungen.**	Entfällt. Die Gesellschaft hat keine Gewinnprognose oder -schätzung erstellt.
B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die Bestätigungsvermerke zu den in dem Prospekt enthaltenen historischen Finanzinformationen wurden ohne Einschränkung erteilt.
B.11	**Nicht Ausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.**	Entfällt. Wir sind der Meinung, dass wir in der Lage sind, unseren Zahlungsverpflichtungen die innerhalb von wenigstens zwölf Monaten ab dem Datum des Prospekts fällig werden nachzukommen.
C.	**Wertpapiere**	
C.1	**Beschreibung von Art und Gattung der zum Handel zuzulassenden Wertpapiere, einschließlich Wertpapierkennung.**	360.121.736 Stammaktien mit International Securities Identification Number (ISIN): DE000BFB0019 Wertpapier-Kenn-Nummer (WKN): BFB 001 Trading Symbol: B4B darunter 3.601.217 und 324.109.563 neu ausgegebene Stammaktien aus zwei am 10. Februar 2017 von der außerordentlichen Hauptversammlung beschlossenen Kapitalerhöhungen gegen Sacheinlage von Teilen des MWFS-Geschäfts, zur Durchführung der Ausgliederung und Abspaltung, die mit der Eintragung der Ausgliederung und der Abspaltung beim zuständigen Handelsregister der Altaktionärin beim Amtsgericht Düsseldorf, Deutschland (das Datum an dem die Eintragung der Abspaltung erfolgt, das „**Registrierungsdatum**"), die am oder um den 13. Juli 2017 oder bis zu sechs Handelstage vorher erwartet werden, wobei „**Handelstag**" jeden Tag meint, an dem ein Handelsplatz an der Frankfurter Wertpapierbörse geöffnet ist, wirksam werden, und 2.975.517 Vorzugsaktien mit International Securities Identification Number (ISIN): DE000BFB0027 Wertpapier-Kenn-Nummer (WKN): BFB 002

		Trading Symbol: B4B3 darunter 29.755 und 2.677.966 neu ausgegebene Vorzugsaktien aus zwei am 10. Februar 2017 von der außerordentlichen Hauptversammlung beschlossenen Kapitalerhöhungen gegen Sacheinlage von Teilen des MWFS-Geschäfts zur Durchführung der Ausgliederung und Abspaltung, die mit der Eintragung der Ausgliederung und der Abspaltung beim zuständigen Handelsregister der Altaktionärin beim Amtsgericht Düsseldorf, Deutschland, die für das Registrierungsdatum erwartet werden, wirksam werden, jede dieser Aktien (Stamm- und Vorzugsaktien) jeweils ohne Nennbetrag und mit einem rechnerischen Anteil von EUR 1,00 am Grundkapital sowie mit voller Gewinnberechtigung für das volle Geschäftsjahr, das am 30. September 2017 endet und für alle folgenden Geschäftsjahre.
C.2	**Währung der Wertpapieremission.**	Euro.
C.3	**Zahl der ausgegebenen und voll eingezahlten und der ausgegebenen und nicht voll eingezahlten Aktien.**	Zum Datum des Prospekts beträgt das Grundkapital der Gesellschaft EUR 32.678.752,00 und ist in 32.410.956 Stammaktien und 267.796 Vorzugsaktien eingeteilt. Das Grundkapital der Gesellschaft ist vollständig eingezahlt. Nach Durchführung der Spaltung, d.h. nach Eintragung der Ausgliederung und der Abspaltung in das Handelsregister der Altaktionärin und der verbundenen Kapitalerhöhungen in das Handelsregister, wird das Grundkapital der Gesellschaft EUR 363.097.253,00 betragen und in 360.121.736 Stammaktien und 2.975.517 Vorzugsaktien, jeweils ohne Nennbetrag (Stückaktien), eingeteilt sein.
	Nennwert pro Aktie, bzw. Angabe, dass Aktien keinen Nennwert haben.	Jede der nennwertlosen Aktien der Gesellschaft hat einen rechnerischen Anteil am Grundkapital von EUR 1,00.
C.4	**Mit den Wertpapieren verbundenen Rechte.**	Jede Stammaktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Die Stammaktien sind für das gesamte Geschäftsjahr, das am 30. September 2017 endet und für sämtliche folgende Geschäftsjahre in voller Höhe gewinnberechtigt. Sofern durch Gesetz oder die Satzung der Gesellschaft nichts anderes geregelt ist, berechtigen Vorzugsaktien den Aktionär nicht zur Stimmabgabe bei der Hauptversammlung. Jede Vorzugsaktie berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft, allerdings vorausgesetzt, dass die Vorzugsdividende (wie unten beschrieben) nicht oder nicht in voller Höhe in einem bestimmten Jahr ausgezahlt wird und der Rückstand nicht im darauffolgenden Jahr zusammen mit der vollen Vorzugsdividende für das Jahr ausgezahlt wird. Die Vorzugsaktien sind für das gesamte Geschäftsjahr, das am 30. September 2017 endet und für sämtliche folgende Geschäftsjahre in voller Höhe gewinnberechtigt. Die Inhaber von Vorzugsaktien erhalten von dem jährlichen Nettogewinn eine Vorzugsdividende von EUR 0,17 pro Vorzugsaktie. Sollte der für die Ausschüttung verfügbare

Nettogewinn in einem bestimmten Jahr nicht ausreichen, um die Vorzugsdividende zu zahlen, wird der Rückstand (ohne Zinsen) aus dem Nettogewinn von zukünftigen Geschäftsjahren in einer Reihenfolge basierend auf dem Alter ausgezahlt, d.h. in der Art, dass jegliche älteren Rückstände vor jüngeren ausgezahlt werden und dass die Vorzugsdividenden, die aus dem Profit eines Geschäftsjahres gezahlt werden können, nicht ausgezahlt werden bis alle angesammelten Rückstände vollständig ausgezahlt worden sind. Nachdem die Vorzugsdividende ausgezahlt worden ist, erhalten die Inhaber von Stammaktien eine Dividende von EUR 0,17 pro Stammaktie. Danach wird eine Extradividende an die Inhaber der Vorzugsaktien ausgezahlt. Die Extradividende soll 10% der Dividende betragen, die an die Inhaber der Stammaktien ausgezahlt wird, vorausgesetzt, dass die Dividende EUR 1,02 pro Stammaktie erreicht oder übersteigt. Die Inhaber von Vorzugs- und Stammaktie teilen sich jegliche zusätzlichen Gewinnausschüttungen im Verhältnis zu ihren Anteilen am Stammkapital.

C.5	**Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Mit Ausnahme der unten unter E.5 beschriebenen Lock-up-Vereinbarungen bestehen keine Einschränkungen der Übertragbarkeit der Aktien der Gesellschaft.
C.6	**Angabe, ob für die angebotenen Wertpapiere die Zulassung zum Handel in einem geregelten Markt beantragt wurde bzw. werden soll, Nennung aller geregelten Märkte, in denen die Wertpapiere gehandelt werden oder werden sollen.**	Die Gesellschaft erwartet, am oder um den 26. Juni 2017 zusammen mit BofA Merrill Lynch und J. P. Morgan die Zulassung ihrer Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse sowie gleichzeitig zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) und die Zulassung ihrer Aktien zum Handel im regulierten Markt der Börse Luxemburg (zusammen die „**Börsenzulassung**“) zu beantragen. Die Anträge auf Zulassung zum Handel umfassen auch die neu ausgegebenen Stammaktien und Vorzugsaktien aus zwei am 10. Februar 2017 in der außerordentlichen Hauptversammlung beschlossenen Kapitalerhöhungen gegen Sacheinlage von Teilen des MWFS-Geschäfts. Die Zulassungsbeschlüsse in Bezug auf die Aktien der Gesellschaft werden voraussichtlich am oder um das Registrierungsdatum bekannt gegeben. Der Handel mit den Aktien an der Frankfurter Wertpapierbörse und der Börse Luxemburg wird voraussichtlich am oder um den nächsten Handelstag nach dem Registrierungsdatum (der „**Erste Handelstag**“) aufgenommen werden.
C.7	**Beschreibung der Dividendenpolitik.**	Die Gesellschaft beabsichtigt, beginnend ab dem Geschäftsjahr 2016/2017 eine Dividende auszuschütten. Der Vorstand beabsichtigt, abhängig von der Ertragslage des Konzerns, der Hauptversammlung eine Dividende für das jeweilige Geschäftsjahr, beginnend mit dem Geschäftsjahr, das am 30. September 2018 endet, mit einer durchschnittlichen, zwischen 45% und 55% des Gewinns je Aktie liegenden Ausschüttungsquote vorzuschlagen (wie in den geprüften konsolidierten Abschlüssen der MWFS Gruppe des jeweiligen Geschäftsjahrs dargestellt). Für das Geschäftsjahr 2016/2017 beabsichtigt der Vorstand, der Hauptversammlung eine

Dividende mit einer durchschnittlichen, zwischen 45% und 55% des Gewinns je Aktie (wie in den geprüften konsolidierten Abschlüssen der MWFS Gruppe dargestellt) vor Sonderfaktoren liegenden Ausschüttungsquote vorzuschlagen. Die Dividendenausschüttung und -höhe bleiben von einer Reihe von Faktoren abhängig, darunter die Höhe des ausschüttungsfähigen Gewinns, Marktentwicklungen, die Anlagepolitik, der Ratingstatus der Gesellschaft, der Finanzbedarfs der Gruppe zu diesem Zeitpunkt sowie der entsprechende Beschluss, der durch die Hauptversammlung gefasst werden muss, ohne dass das Erzielen eines Bilanzgewinns für künftige Gewinnausschüttungen gewährleistet werden kann.

Da das Unternehmen sein operatives Geschäft durch seine Tochtergesellschaften und assoziierten Unternehmen betreibt, hängt die Fähigkeit der Dividendenausschüttung maßgeblich davon ab, dass seine Tochtergesellschaften und assoziierten Unternehmen Gewinne erzielen und diese an die Gesellschaft ausschütten oder diese über vorhandene Ergebnisabführungsverträge an die Gesellschaft übertragen.

D. Risiken

D.1 Zentrale Angaben zu den zentralen Risiken, die dem Emittenten oder seiner Branche eigen sind.

Risiken in Zusammenhang mit dem allgemeinen wirtschaftlichen Umfeld und der Märkte, in denen wir tätig sind

- Ungünstige Entwicklungen in der Weltwirtschaft, den Finanzmärkten, politischen Rahmenbedingungen oder spezifischen Märkten, in denen wir tätig sind, können unser Geschäft negativ beeinflussen. Insbesondere in Deutschland, Westeuropa und Osteuropa, wo wir den größten Anteil unserer Umsatzerlöse erwirtschaften, können wir, mehr als einige unserer Wettbewerber, von einem Konjunkturabschwung und/oder der hohen Volatilität der Finanz- und anderer Märkte Europas oder durch aktuelle oder künftige geopolitische Krisen und Umbrüche wie dem „Brexit“, oder die fortgeführten Sanktionen und andere Maßnahmen in Verbindung mit dem russisch-ukrainischen Konflikt beeinträchtigt werden.

- Die Märkte, in denen wir tätig sind, sind hochkompetitiv und dieser Wettbewerbsdruck von sowohl direkten als auch indirekten, alten und neuen Wettbewerbern kann eine erhebliche nachteilige Auswirkung auf unser Geschäft haben und zu Verringerungen unseres Marktanteils und unserer Profitabilität führen.

- Die ökonomischen, politischen oder regulatorischen Bedingungen in Schwellenmärkten könnten sich verschlechtern, was sich negativ auf unsere Geschäftsergebnisse, unsere Finanzlage, unsere Kapitalflüsse und unsere Erwartungen auswirken kann.

Risiken in Zusammenhang mit Änderungen des Groß- und Einzelhandelsgeschäfts und Herausforderungen an das Geschäftsmodell und die Strategie der MWFS-Gruppe

- Veränderungen in Präferenzen und Nachfrage von Endverbraucherkonsumenten oder Geschäftskunden

sowie der Zusammensetzung unserer Kundengruppen können eine erhebliche nachteilige Auswirkung auf unser Geschäft haben, insbesondere da wir einen großen Anteil unserer Umsatzerlöse mit unseren treuesten Kunden erwirtschaften, falls wir nicht in der Lage sind, diese Veränderungen zu antizipieren, sie einzuschätzen und auf sie zu reagieren.

- Wir könnten es versäumen, unser Geschäftsmodell oder den neuen strategischen Fokus unseres Geschäfts (einschließlich unseres neuen Einzelhandelskonzepts), unter anderem mit spezifischem Fokus auf lokale Kundenrelevanz, Trends und Nachfragen, adäquat umzusetzen, weshalb die angestrebten Ergebnisse ausbleiben könnten.

- Wir könnten nicht in der Lage sein, die angestrebte Expansion unseres Geschäfts, insbesondere unseres Großhandelsgeschäfts in ausgewählten Wachstumsmärkten, unseres FSD Geschäfts oder unserer Händler Franchise Programme zu erreichen.

- Wir könnten es versäumen, Akquisitionen, Joint-Ventures und Kooperationen erfolgreich zu identifizieren, einzugehen oder zu integrieren oder erfolgreich Desinvestition durchzuführen. Wir könnten es ebenfalls versäumen, zeitnah Effizienzsteigerungen und Kostensenkungsmaßnahmen (einschließlich ausgewählter Portfolioanpassungen und Restrukturierungsmaßnahmen) zu implementieren und diese geplanten Verbesserungen könnten ihre Ziele nicht erreichen.

- Wir könnten es versäumen, unsere Reputation, die „METRO“ Marke und andere Marken, mit denen wir Geschäfte betreiben, adäquat zu schützen.

- Das Versäumnis, technische Fortschritte rechtzeitig zu übernehmen und anzuwenden sowie unsere Digitalisierungsbemühungen erfolgreich umzusetzen und unsere Online- und Multi-Channel Fähigkeiten und andere Kundenbetreuungstools zu expandieren, könnte unsere Umsatzerlöse begrenzen oder reduzieren.

Risiken in Zusammenhang mit unseren Geschäftsaktivitäten

- Erhöhungen der von Lebensmittel- und Non-Food-Lieferanten erhobenen Preise sowie Verringerungen von Lieferantenrabatten, Nachlässen, Boni, Servicegebühren und/oder anderer gewerblicher Einnahmen, eine Verringerung der Verfügbarkeit von Produkten oder der Verlust einzelner Schlüssellieferanten oder Einkaufs-Partner könnten jeweils wesentliche negative Auswirkungen auf unsere Profitabilität haben, falls wir nicht in der Lage sind, die Preiserhöhungen an die Kunden weiterzugeben oder zeitnah passende Alternativlieferungen zu beziehen.

- Störungen und Mängel unserer Liefer- und Logistiksysteme und unseres Infrastrukturmanagements, einschließlich als Ergebnis von Lieferunterbrechungen, schlechten Infrastrukturbedingungen, ungünstigem Klima, Naturkatastrophen, menschlichen Fehlern oder Terrorakten könnten eine wesentliche negative Auswirkung auf unser Geschäft haben.

- Wir sind von unserer Fähigkeit abhängig, passende Immobilien zu kommerziell akzeptablen Konditionen zu erwerben oder zu leasen, unsere dinglichen Rechte an Immobilien kommerziell auszunutzen und neue Warenhäuser, Selbstebedienungsverbrauchermärkte oder Logistikeinrichtungen auf neu erworbenen oder geleasten Grundstücken zu bauen. Jede Verzögerung bei der Entwicklung von Baugrundstücken, einschließlich der Konstruktion neuer Einrichtungen, könnten unsere Expansionspläne beeinträchtigen und Instandhaltungsarbeiten oder Reparaturrückstände könnten eine wesentliche negative Auswirkung auf unser Geschäft haben.

- Falls wir die falschen Entscheidungen in Bezug auf die Auswahl unserer Betriebsstandorte tätigen, kann dies zu unprofitabler Nutzung von Verkaufsflächen sowie zu Risiken ungenutzter Verkaufsflächen, für die kein anderer nützlicher Einsatz gefunden werden kann, was ein Risiko für den intrinsischen Wert unseres Warenhaus- und Selbstbedienungsverbrauchermarktnetzwerkes darstellt, führen.

- Wir sind abhängig von mehreren Informationstechnologiesystemen und dem Internet und das Versagen oder die Insuffizienz solcher Systeme könnten unserem Geschäft schaden. Weiterhin könnte die Integrität der von uns gespeicherten Kundeninformationen beschädigt werden und jeder Verlust oder jede widerrechtliche Verwendung von Kundendaten könnte unserem Ruf und unserer Marke schaden und könnte eine zivilrechtliche Haftung, behördliche Anordnungen, Bußgelder oder sogar Strafanklagen hervorrufen.

- Wir sind Betriebs- und Reputationsrisiken hinsichtlich unserer Eigenmarkenprodukte ausgesetzt und könnten nicht in der Lage sein, den Anteil des Umsatzes aus dem Verkauf unserer Eigenmarkenprodukte zu erhalten, was zu einer geringeren Bruttogewinnmarge führen könnte. Allgemein stehen wir dem Risiko von Produkthaftungsansprüchen und negativer Publizität in Verbindung mit fehlerhaften Produkten gegenüber.

- Unser Geschäft ist saisonalen Schwankungen und Trends ausgesetzt, welche, für sich oder in Kombination mit anderen Vorkommnissen, unser Geschäft, unsere Betriebsergebnisse, unsere Finanzlage, unsere Kapitalflüsse und Aussichten wesentlich beeinflussen könnten.

- Unser Erfolg und unsere Zukunftsaussichten hängen von unserer Fähigkeit ab, fortgesetzt qualifiziertes Personal anzuwerben, zu halten und zu motivieren, insbesondere für unsere Führungskräfte. Wir sind außerdem dem Risiko steigender Arbeitskosten ausgesetzt, was unsere Profitabilität negativ beeinflussen könnte, insbesondere, falls wir es versäumen, eine langfristige Lösung zur Sicherung wettbewerbsfähiger Lohnniveaus für unser Einzelhandelsgeschäft zu finden. Weiterhin könnte jede Verschlechterung unserer Verhältnisse mit unseren Angestellten, den Gewerkschaften und den Arbeitnehmervertretungen zu einer wesentlichen

negativen Auswirkung auf unser Geschäft führen und Arbeitsniederlegungen, Streiks oder andere kollektive Maßnahmen könnten unsere Profitabilität negativ beeinflussen.

- Die Vielzahl von Zahlungsmethoden, die wir akzeptieren, einschließlich Kredit- und Debitkartenzahlung, das große Volumen an Bargeldtransaktionen wie auch unser Produktsortiment setzen uns einem Betriebsrisiko sowie dem Risiko von Diebstahl, Raub, fahrlässigem Handeln und/oder Betrug aus. Wir sind auch Kontrahentenausfällen ausgesetzt.

Risiken im Zusammenhang mit unserem Finanzprofil

- Wir sind Risiken verbunden mit unserer Verschuldung und unseren hohen Finanzierungsbedürfnissen, einschließlich des Risikos hoher Zinszahlungen und des Bedürfnisses, unsere Geschäftsbetriebe zu refinanzieren, insbesondere im Falle einer potentiellen Veränderung unserer Bonität, ausgesetzt und es kann sein, dass es uns nicht möglich sein wird, ausreichend Geld aufzubringen, um einer solchen Verschuldung zu begegnen. Insbesondere könnte unsere Fähigkeit, unsere Finanzierungsbedürfnisse am Finanzmarkt zu decken, beeinträchtigt sein, falls wir nicht in der Lage sind, ein Investment Grade Rating zu erhalten oder zu behalten. Überdies könnte die Fähigkeit der Gesellschaft, Dividenden zu zahlen, durch derzeitige oder zukünftige Finanzierungsbedingungen eingeschränkt sein.
- Unsere Ertragslage kann negativ durch Währungsschwankungen beeinflusst werden.

- Jegliche Abschreibungen oder Wertminderungen unserer Vermögenswerte, einschließlich des Geschäfts- oder Firmenwerts und Immobilien, könnten wesentliche negative Effekte auf unsere Ertrags- und Finanzlage sowie unsere Dividendenfähigkeit haben.

- Wir haben gegenüber unseren Angestellten Verpflichtungen in Bezug auf Ruhestandszahlungen und andere Verpflichtungen, deren Berechnung auf einer Reihe von Annahmen, einschließlich Diskontsätzen, Lebenserwartungen und künftigen Gehaltssteigerungen, beruhen, die von den tatsächlichen Werten in der Zukunft abweichen könnten.

Rechtliche, regulatorische und steuerliche Risiken

- Die Nichteinhaltung existierender amtlicher Vorschriften könnte zur Schließung von Betrieben, zur Auferlegung beträchtlicher Strafen und zu zusätzlichen Kosten führen. Unser Risikomanagement und unsere internen Kontrollen könnten daran scheitern, Gesetzverstöße und Compliance-Verstöße zu verhindern oder aufzudecken. Wir könnten außerdem Bedingungen unserer Lizenzen, Genehmigungen oder anderer Bewilligungen nicht nachkommen oder es versäumen, diese bei Auslauf zu erneuern oder versäumen neue Lizenzen, Genehmigungen oder andere Bewilligungen zu erlangen, die wir benötigen.

- Eine erhöhte staatliche Regulierung unseres Geschäftsbetriebs und unserer Produkte, einschließlich Regulierung hinsichtlich des Schutzes der Umwelt, der Gesundheit und der Sicherheit, oder des Handels (einschließlich nachgelagerter Vergütungen) könnte unseren Umsatz, Gewinn und unsere finanzielle Position in unterschiedlicher Weise beeinträchtigen. Weiterhin könnten die Einführung von Importverboten oder die Auferlegung oder die Erhöhung von Einfuhrzöllen, Gebühren oder anderen Sanktionen unser Geschäft beeinträchtigen.

- Wir sind Risiken durch Streitigkeiten sowie behördliche, rechtliche und schiedsgerichtliche Verfahren einschließlich wettbewerbsrechtlichen Belangen ausgesetzt.

- Jegliche Bedrohung oder Beeinträchtigung unserer gewerblichen Schutzrechte sowie unseres Know-hows könnte bei uns Rechtsverfolgungskosten hervorrufen und unsere Fähigkeit beeinträchtigen, effektiv zu konkurrieren und jegliche Verletzung geistiger Eigentumsrechte Dritter durch uns könnte zur Haftung für Schadensersatz und Rechtsverfolgungskosten führen.

- Wir sind Steuerrisiken ausgesetzt und unsere Steuerlast könnte sich aufgrund von Veränderungen von Steuergesetzen oder deren Anwendung oder Interpretation oder als Ergebnis von aktuellen oder zukünftigen Steuerprüfungen oder Erhöhungen von Steuersätzen erhöhen.

Risiken im Zusammenhang mit der Spaltung und Trennung unseres Geschäfts von der METRO Gruppe

- Wir könnten die angestrebten Vorteile der Trennung unseres Geschäfts vom CE-Geschäft der METRO Gruppe nicht realisieren und die Trennung könnte zum Verlust von Geschäftschancen sowie zu höheren Kosten führen.

- Wir sind, in Zusammenhang mit oder als Konsequenz der Spaltung, Risiken durch potentielle Ansprüche ausgesetzt, insbesondere unter der gesetzlichen Nachhaftung nach der Spaltung, nach der wir unter bestimmten Voraussetzungen gesamtschuldnerisch für Verbindlichkeiten der Altaktionärin haften, die entstehen, bevor die Spaltung durchgeführt worden ist. Uns sind außerdem wesentliche Kosten im Zusammenhang mit der Spaltung entstanden und es könnte uns nicht gelingen, diese Kosten in Zukunft zu amortisieren.

- Es ist auch möglich, dass im Zusammenhang mit der Spaltung oder den vorbereitenden Maßnahmen nachteilige Steuereffekte verursacht werden, und zwar sowohl für die Gesellschaft und ihre Tochtergesellschaften als auch für unsere zukünftigen Aktionäre.

- Aufgrund von Unsicherheiten bei Anwendung der sogenannten „Fußstapfentheorie", der Bewertungsempfindlichkeit der gewählten Struktur für die Spaltung und anderer Steuerrisiken, können sich für die

Gesellschaft, ihre Tochtergesellschaften und ihre zukünftigen Aktionäre nachteilige Steuereffekte ergeben, wenn die Steuerbehörden die Spaltung anders als erwartet behandeln.

- Weiterhin haben wir, aufgrund unserer komplexen finanztechnischen Vorgeschichte, kombinierte Finanzabschlüsse erstellt und es ist möglich, dass diese nicht genau unsere Ergebnisse als unabhängiges Unternehmen widerspiegeln.

D.3 Zentrale Angaben zu den zentralen Risiken, die den Wertpapieren eigen sind.

Risiken in Zusammenhang mit der Börsennotierung und der Aktionärsstruktur

- Wir stehen als börsennotierte Gesellschaft Risiken gegenüber, welche zusätzliche regulatorische Anforderungen beinhalten, einschließlich, jedoch nicht ausschließlich, kapitalmarktrechtliche Anforderungen wie der Erstellung von Zwischenberichten und Ad-Hoc Meldungen, die beachtliche Compliance-Kosten mit sich bringen.

- Die Altaktionärin (METRO AG, soll in CECONOMY AG umbenannt werden) und gewisse andere Aktionäre werden beachtliche Anteile an der Gesellschaft nach Durchführung der Spaltung behalten und werden fähig sein, einen entsprechenden Einfluss auszuüben. Als Konsequenz könnten die Interessen dieser Aktionäre infolgedessen in einen Konflikt mit den Interessen der anderen Aktionäre geraten.

- Der Preis und das Handelsvolumen der Aktien der Gesellschaft könnten beachtlich schwanken und Investoren könnten ihre gesamte oder einen Teil ihrer Investition verlieren. Überdies könnten sich der Aktienpreis und das Handelsvolumen verringern, falls Finanzanalysten keine Studien über unser Unternehmen veröffentlichen oder ungünstige Kommentare hinsichtlich der Aktie der Gesellschaft herausgeben.

- Der kumulative Wert der Aktien der MWFS AG und CECONOMY AG könnte den Wert der Aktien der METRO AG vor der Spaltung nicht erreichen oder übersteigen.

- Zukünftige Kapitalerhöhungen, jedes zukünftige Angebot von Eigenkapitaltiteln oder Angebote von in Eigenkapital wandelbaren Instrumenten oder ein Zusammenschluss mit einem anderen Unternehmen könnten zu einer Verwässerung der Beteiligung der Investoren an der Gesellschaft führen.

E. Angebot

E.1	**Gesamtnettoerlöse und geschätzte Gesamtkosten der Emission/ des Angebots, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden.**	Entfällt. Ein Angebot von Wertpapieren ist nicht Gegenstand des Prospekts. Die Gesellschaft rechnet mit Gesamtkosten der Spaltung und der Börsenzulassung in einer Höhe von ungefähr EUR 100 Mio., von denen ungefähr 98% durch die Gesellschaft und die MWFS Gruppe getragen werden sollen. Darüber hinaus ist zu erwarten, dass die Mitglieder unseres Vorstands und eine beachtliche Anzahl unserer Manager Zahlungen im Zusammenhang mit der vorzeitigen (teilweisen) Ablösung von Langzeit- und Kurzzeit-Inzentivierungsprogrammen bei unserer Altaktionärin erhalten werden, die seit dem 2013 unter ihrem bestehenden Dienst und Arbeitsverträgen gewährt wurden. Wir erwarten in diesem Zusammenhang Kosten in einem Gesamtbertrag von einem mittleren zweistelligen EUR Millionenbereich, von dem wir den weit überwiegenden Anteil tragen werden. Anlegern werden keine Kosten der Gesellschaft, der Altaktionärin oder der Banken in ihrer Rolle als Banken im Zusammenhang mit der Börsenzulassung in Rechnung gestellt. Allerdings können auf die Anleger die üblichen Transaktions- und Bearbeitungskosten ihrer kontoführenden Finanzinstitution zukommen.
E.2a	**Gründe für das Angebot, Zweck-bestimmung der Erlöse, geschätzte Nettoerlöse.**	Entfällt. Ein Angebot von Wertpapieren ist nicht Gegenstand des Prospekts.
E.3	**Beschreibung der Angebotskonditionen.**	Entfällt. Ein Angebot von Wertpapieren ist nicht Gegenstand des Prospekts.
E.4	**Beschreibung aller für die Emission/das Angebot wesentlichen Interessen, einschließlich Interessenkonflikten.**	Im Zusammenhang mit der Börsenzulassung und der Spaltung stehen die Listing Agents in einem vertraglichen Verhältnis zu der Gesellschaft und der Altaktionärin. Die Listing Agents beraten die Gesellschaft und die Altaktionärin bei der Spaltung. Die Deutsche Bank wurde im Zusammenhang mit der Spaltung als Treuhänderin wie vom Umwandlungsgesetz vorgesehen bestellt und kann nach erfolgreichem Abschluss der Transaktion eine Provision zusätzlich zu dem vereinbarten Grundentgelt erhalten. Die Listing Agents und Deutsche Bank und/oder deren Tochtergesellschaften haben in der Vergangenheit mitunter Geschäftsbeziehungen zu uns oder der Altaktionärin (einschließlich Darlehensgeschäfte) gehabt und werden solche möglicherweise auch in Zukunft haben oder könnten für uns oder die Altaktionärin im gewöhnlichen Geschäftsgang Leistungen erbringen. Zum Beispiel haben beide Listing Agents und Deutsche Bank, unter anderem, bestimmten Unternehmen der METRO Gruppe und / oder der MWFS Gruppe Darlehen oder bilaterale Kreditzusagen gewährt. Einer der Listing Agents und Deutsche Bank oder bestimmte ihrer jeweiligen verbundenen Unternehmen sind Parteien der bestehenden syndizierten Kreditvereinbarung. Außerdem werden die Listing Agents und Deutsche Bank oder bestimmte ihrer verbundenen

		Unternehmen an einem der oder den neuen revolvierenden Kreditvereinbarungen beteiligt sein, wobei Deutsche Bank als Vermittlerin eines Schuldtitelemissionsprogramms (debt-issuance-program) und eines Wertpapierprogramms (commercial paper program) agieren wird. Im Zusammenhang mit ihren vergangenen und derzeitigen Dienstverträgen mit der Altaktionärin halten sämtliche unserer vier Vorstandsmitglieder derzeit Rechte unter Kurzzeit- und Langzeit-Inzentivierungsprogrammen. Sofern diese Programme nicht gemäß den für das jeweilige Programm maßgeblichen Bestimmungen bis zur Wirksamkeit der Ausgliederung und Abspaltung beendet werden, werden diese Programme vorzeitig nach Vollzug der Spaltung – ganz oder teilweise – ausgezahlt. Soweit diese Programme nicht vorzeitig beglichen werden, werden die jeweiligen Programme auf die Gesellschaft übertragen. In dem Umfang, in dem Mitglieder unseres Vorstands oder unseres Aufsichtsrats direkt oder indirekt Aktien der Gesellschaft nach Wirksamkeit der Abspaltung halten werden, können sie, unabhängig von ihrer Stellung als Organmitglied ein besonderes Interesse haben, das aus ihrem Aktienbesitz resultiert. Es existieren keine Konflikte oder potentiellen Konflikte in Bezug auf Verpflichtungen gegenüber der Gesellschaft zum Datum des Prospektes, die aus ihren privaten Interessen oder anderen Verpflichtungen resultieren könnten. Dennoch haben einige unserer Vorstands- und Aufsichtsratsmitglieder derzeit Ämter bei unserer Altaktionärin inne, einige von diesen werden aber mit Wirksamkeit der Abspaltung beendet. Nach Durchführung der Spaltung wird keines der Mitglieder unseres Vorstands mehr ein Amt bei der Altaktionärin innehaben. Es wird erwartet, dass vier Mitglieder unseres Aufsichtsrats Aufsichtsratsmitglieder bei der Altaktionärin nach Beendigung der Spaltung bleiben werden. Weiterhin sind zwei Mitglieder unseres Aufsichtsrats gleichzeitig Mitglieder des Vorstands/der Geschäftsführung bei zwei der Großaktionärsgruppen der Altaktionärin (die nach der Wirksamkeit der Abspaltung Aktionäre der Gesellschaft sein werden), jeweils ein Mitglied unseres Aufsichtsrats jeweils in einem Vorstand/einer Geschäftsführung.
E.5	**Name der Person/ des Unternehmens, die/das das Wertpapier zum Kauf anbietet.**	Entfällt. Ein Angebot von Wertpapieren ist nicht Gegenstand des Prospekts.
	Lock-up-Vereinbarungen; die beteiligten Parteien und Lock-up-Frist.	Im Zusammenhang mit der Spaltung haben sich sowohl die Altaktionärin als auch jede ihrer Hauptaktionärsgruppen einer Veräußerungssperre in Bezug auf die zukünftig gehaltenen Aktien der MWFS AG unterworfen. Jede der Hauptaktionärsgruppen der Altaktionärin hat sich gegenüber der Altaktionärin zu einer Veräußerungssperre (sog. Lock-up) mit marktüblichen Bedingungen in Bezug auf die zukünftig gehaltenen Aktien der MWFS AG, die der jeweilige Aktionär im Zuge der Abspaltung erhalten wird, für einen Zeitraum von drei Monaten ab dem Tag der Erstnotierung der Aktien der MWFS AG an der Frankfurter Wertpapierbörse verpflichtet.

		Die Altaktionärin, mit einer zukünftigen, direkten und indirekten Beteiligung an der MWFS AG von rund 10,0% unmittelbar nach Wirksamwerden der Ausgliederung und der Abspaltung, hat sich ebenfalls zu Veräußerungssperren zugunsten der MWFS AG in Bezug auf ihre gehaltenen Aktien der MWFS AG (i) für einen Zeitraum von sechs Monaten ab dem Tag der Erstnotierung der Aktien an der Frankfurter Wertpapierbörse in Bezug auf die Aktien AG, die derzeit von der Altaktionärin indirekt gehalten werden, die eine zukünftige Beteiligung an der MWFS AG von rund 9,0% darstellen und (ii) für einen Zeitraum von sieben Jahren und einem Tag nach dem 30. September 2016, 24:00 Uhr in Bezug auf die Aktien der MWFS AG, die die Altaktionärin im Rahmen der im Zusammenhang mit der Ausgliederung durchzuführenden Kapitalerhöhung erhalten wird, die eine zukünftige Beteiligung an der MWFS AG von rund 1,0% darstellen, verpflichtet.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung. Im Fall eines Zeichnungsangebots an die existierenden Anteilseigner Betrag und Prozentsatz der unmittelbaren Verwässerung für den Fall, dass sie das Angebot nicht zeichnen.**	Entfällt. Ein Angebot von Wertpapieren ist nicht Gegenstand des Prospekts.
E.7	**Schätzung der Ausgaben, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden.**	Entfällt. Anlegern werden keine Kosten der Gesellschaft oder der Banken in ihrer Rolle als Banken in Rechnung gestellt.

1. RISK FACTORS

Any investment in the shares of METRO Wholesale & Food Specialist AG, Dusseldorf, (hereinafter, also "MWFS AG" or the "Company" and, together with the other companies of the combination group, "we", "us", "our", the "MWFS Group", the "Group" or "MWFS") is subject to a number of risks. Prospective investors should carefully consider the risk factors set out below, together with the other information contained in this prospectus (the "Prospectus"), before making an investment decision with respect to the shares of the Company. The occurrence of any of these risks, individually or together with other circumstances, could have a material adverse effect on our business, results of operations, financial position and cash flows. The sequence of risk factors set out below is not a statement about the probability of occurrence, degree or importance of the individual risks or the scope of any potential harm to our business, results of operations, financial position and cash flows.

The risk factors are based on assumptions that could turn out to be incorrect. Furthermore, other risks, facts or circumstances not presently known to us, or that we currently deem to be immaterial, could, individually or cumulatively, prove to be important and could have a material adverse effect on our business, results of operations, financial position and cash flows. The value of the shares of the Company could decline as a result of the occurrence of any of these risks, and investors could lose all or part of their investment. Investors should carefully consider whether an investment in the shares of the Company is suitable for them in light of the information in the Prospectus and their personal circumstances.

1.1. Risks Related to the General Economic Environment and the Markets in which we Operate

1.1.1. Unfavorable developments in the global economy, financial markets, political conditions and/or specific markets in which we operate could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

We are – in our assessment – a leading international player in wholesale and foodservice distribution ("**FSD**"), both in terms of sales and based on our extensive warehouse presence, and a leading retail player in the hypermarket segment of the German grocery retail market (our wholesale and FSD as well as food retail businesses hereinafter together, the "**MWFS Business**"). We are active across 35 countries. We operate 751 warehouses in 25 countries across Western Europe, Eastern Europe and Asia, primarily serving business-to-business ("B2B") customers, while we serve the remaining ten countries only via FSD. In our German-based food retail business we operate 282 hypermarkets (pursuant to definitions used by EHI Retail Institute GmbH, hypermarkets are retail formats with a selling space of at least 5,000 sqm offering food and non-food products; a hypermarket operator is defined as such when most of the stores it operates fall within the foregoing definition; for simplification purposes, we refer to all of our Real locations as hypermarkets, since the vast majority fulfills the definition criteria, although some of our locations have a smaller selling area) almost exclusively under the "real,-" brand focusing on business-to-consumer ("**B2C**") customers (all data as of March 31, 2017).

As such, we are affected by general developments in the global economy and, in particular, by fluctuations in the economic conditions of the markets in which we sell our products and services. The customers of our wholesale and FSD business are primarily small- and medium-sized businesses and individual entrepreneurs and mainly comprise (1) hotel, restaurant and catering ("**HoReCa**") businesses, (2) convenience stores and other small- and medium-sized retail businesses that resell food and non-food products to the retail market, including forecourt stores ("**Trader**") and (3) a wide variety of professional service companies and organizations (for example, institutions and offices) ("**SCO**"). In our retail business, we serve retail end-user customers in Germany through our hypermarket network and online sales channels offering food and non-food products.

The performance of our wholesale business (including warehouse and delivery) as well as our retail business is, in particular, largely dependent on economic conditions as well as political and other factors affecting consumer climate in the markets in which we operate. In general,

deteriorating economic or political conditions, negative perceptions about economic or political conditions, slow job growth, inflation, deflation or a negative or uncertain economic outlook could result in a substantial decrease in demand for our products and services. Adverse economic developments may lead, among other things, to lower overall sales of the products or services that we offer, or require us to change our product mix in ways that could impact our overall profitability or result in slower inventory turnover and higher markdowns on inventory. Changes in economic conditions may also lead to higher costs associated with our operations resulting, for example, from changes to supplier credit terms, longer payment terms for customers or the need to restructure or implement cost-saving measures. Any such deterioration of economic conditions, including reductions in disposable income and purchasing power, can also increase competition in the markets in which we operate (see also *1.1.3. "— The markets in which we operate are highly competitive, and such competitive pressures from direct and indirect, existing and new competitors may have a material adverse effect on our business and result in reductions in our market shares and profitability."*).

In particular, economic and political factors may adversely affect consumer confidence, disposable income and consumer spending as well as other factors affecting consumer climate, including temporary or permanent changes to consumer habits such as the frequency and amount spent by consumers on out-of-home consumption. Our business with HoReCa customers could be affected by a reduction in out-of-home consumption, particularly in Germany, the rest of Western Europe and other regions where the HoReCa market potential is comparatively large. Any factors affecting the consumer climate in Megacities (defined by us as the top 50 metropolitan areas ranked by total GDP data provided in the Oxford Economics Data (2015 estimates)) may also particularly affect our FSD operations and, in particular, the Classic Fine Foods group which serves HoReCa customers mostly in Asian Megacities.

Similarly, changes in consumer confidence, disposable income and consumer spending as well as other factors affecting consumer climate may influence the type and amount of food and non-food products purchased in convenience stores and other small- and medium-sized neighborhood stores, which could impact our business with Trader customers which focuses on independent businesses. Given its relatively large Trader market potential, our Trader business in Eastern Europe would be particularly affected by any reduced sales in the retail market or increased competition from organized chains (see also *1.1.2. "— We generate the largest share of our sales in Europe – in particular, in Germany, Western Europe and Eastern Europe – and may therefore be more affected than some of our competitors in case of an economic downturn and/or high volatility in the financial or other markets in Europe, or by current or future geopolitical crises and upheavals such as the "Brexit", the continuing sanctions and other measures in connection with the Russian/Ukrainian conflict."* and for emerging markets see *1.1.4 "— The economic, political or regulatory conditions in emerging markets could deteriorate which could negatively affect our results of operations, financial position, cash flows and prospects."*).

In the recent past, major macroeconomic realignments included, for example, the economic slowdown and rebalancing in China, the recession in Russia accompanied by a profound devaluation of the Russian Ruble, the decline in commodity prices (especially for oil) with sizable redistributive consequences across sectors and countries, a related slowdown in investment and trade and declining capital flows to emerging markets and developing economies, including Asian and Eastern European countries in which we operate. These realignments – together with a range of non-economic factors, including geopolitical tensions – are generating substantial uncertainty in the global markets. On the whole, the outlook for the world economy remains subdued.

Overall, global output is estimated to have grown by 3.1% in 2016, with 1.7% growth in output for advanced economies and 4.1% for emerging market and developing economies. Global economic growth is projected to reach 3.5% in 2017 before increasing to 3.6% in 2018. Heightened downside risks include, *inter alia*, (1) disruptions of global trade, capital flows, and migration, (2) the U.S. policy agenda, (3) financial deregulation, (4) tightening of economic and financial conditions in emerging markets, (5) weak demand and balance sheet problems in parts of Europe and (6) non-economic factors (source: World Economic Outlook of the International Monetary Fund as of April 4, 2017).

Any of these effects may have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.1.2. We generate the largest share of our sales in Europe – in particular, in Germany, Western Europe and Eastern Europe – and may therefore be more affected than some of our competitors in case of an economic downturn and/ or high volatility in the financial or other markets in Europe, or by current or future geopolitical crises and upheavals such as the "Brexit", the continuing sanctions and other measures in connection with the Russian/Ukrainian conflict.

In the financial year ended September 30, 2016 (the "**financial year 2015/2016**"), we generated 88% of our sales in Europe, which further breaks down to 34% in Germany (of which 20 percentage points related to Real and 13 percentage points related to METRO Wholesale), 28% in Western Europe (excluding Germany), and 27% in Eastern Europe (each figure a percentage of our total sales). Therefore, at a regional level, our results of operations are substantially dependent on the economic conditions in Europe and, in particular, in Germany and could, *inter alia*, be affected by high private and public debt levels, low public investments, high long-term unemployment and slow total factor productivity growth. As such, we may be more affected by economic downturns and political uncertainties in Germany, Western Europe and Eastern Europe than some of our competitors.

In the recent past, economic stagnation occurred in certain Eurozone countries, including Italy, Spain and Portugal. This was in part due to the effects of the sovereign debt crisis and austerity measures implemented to address the crisis in these markets. There continue to be concerns that the Eurozone sovereign debt crisis could worsen, and that it could lead to contagion in other economically more stable countries, including Germany and France. This could result in the reintroduction of national currencies in one or more Eurozone countries. Any of these developments and risks, including the actual or possible departure by one or more countries (for example, Greece) from the Eurozone and/or the abandonment of the Euro as a currency would severely adversely impact the economic situation in the European Union as a whole and in Germany in particular.

Furthermore, the result of the United Kingdom's referendum to leave the European Union and the subsequent initiation of the legal process pursuant to Article 50 of the Lisbon Treaty that must end in two years' time with the United Kingdom leaving the European Union, commonly referred to as "Brexit", may have significant, albeit unpredictable consequences for the economies and financial markets in both the United Kingdom and the European Union and, thus, on our business (even though we only have minor business activities in the United Kingdom itself). Regardless of the ultimate terms and date of an exit from the European Union, the referendum has created significant political, financial and macroeconomic turmoil and uncertainty. The Brexit could result in significant macroeconomic deterioration including, in particular, increased volatility of foreign exchange markets, a further devaluation of the Euro against other leading currencies and a decrease of the gross domestic product in the European Union. Any of these developments could have a severe adverse impact on the economic situation and consumer climate in the European Union, including Germany and France (for which the United Kingdom is an important trade partner). Moreover, other European Union countries could follow suit and also leave the European Union in the future, or threaten to leave unless certain concessions are made.

Furthermore, the Russian/Ukrainian conflict has in the past severely affected, and may continue to severely affect, our business operations particularly within Russia, the Crimea and Ukraine where we operated 121 warehouses as of September 30, 2016. Firstly, the Russian Ruble depreciated by 41.9% and 22.9% against the US dollar, as well as by 34.1% and 14.2% against the Euro in 2014 and 2015, respectively, whereas the Russian Ruble appreciated against the US dollar and the Euro in 2016 (source: Central Bank of the Russian Federation). The Russian Ruble may continue to exhibit significant volatility or depreciate once again against the Euro, thereby significantly affecting our sales in Russia when reported in Euro. Secondly, sanctions and other measures adopted by members of the international community against Russia, as well as reciprocal sanctions by Russia have decreased, and may continue to decrease Russia's international trade. As a consequence, we had to adapt and may need to

continue to adapt parts of our supply chain in these regions by finding alternative sourcing and we invested and may further invest into new logistics platforms to ensure proximity to local markets.

As local sourcing has grown and may continue to grow as a result of the trade sanctions we may face possible sourcing capacity shortages which may influence our growth objectives. Moreover, as another effect of these trade sanctions, Russian consumer behaviour has changed and may further change due to reduced levels of disposable income, consumer spending and consumer confidence, resulting, for example, in an increased price-consciousness of customers who also have become more selective. Thus, wholesale players including us are now more prominently focusing on promotional activities which may reduce our margins or be detrimental to our business if, in particular, competition, especially regarding price competition, in the local markets increases even further. In general, we cannot assure that we will in the future be able to cope with and adapt our operations to the continuing challenges in these regions which may have a material adverse effect on our business, results of operations, financial position, cash flows or prospects.

Other political and economic uncertainties and challenges, such as the continuing conflicts in Syria and the Middle East, potential terrorist attacks, closures of national borders, high integration costs resulting from the continued migration of refugees into some European Union countries, high private and public debt levels, low public investments, high long-term unemployment and slow total factor productivity growth, have affected and may continue to, *inter alia*, negatively affect consumer and business confidence. For example, the attempted coup in 2016 in Turkey where we operated 32 warehouses as of March 31, 2017 and the political developments in the aftermath of said coup including significant tension between Turkey and, *inter alia*, member states of the European Union may adversely affect trade flows and the Turkish economy, in particular, the local tourism industry, and, thus, the HoReCa market in the region. In addition, when located in regions affected by political unrest or war, our facilities may get occupied, damaged or even destroyed as has happened in limited cases in the past and this could have a significant detrimental effect on our results of operations.

Furthermore, past and potential future terrorist attacks in several countries within and outside the European Union could have unpredictable social and political consequences and may affect the economic situation in these countries, including consumer confidence and out-of-home consumption in the affected countries and beyond. Terrorist attacks, such as those in Paris in November 2015, in Brussels in March 2016, in Berlin in December 2016, in Stockholm in April 2017 and Manchester in May 2017, can have a negative impact on general economic conditions and our business, in particular, the HoReCa sector as consumer confidence may be affected and people might be more reluctant to go out, thus, affecting out-of-home consumption.

In addition, the rise of populist parties and/or increasingly protectionist measures by governments in several countries within and outside the European Union may negatively affect the global economy and restrict international trade flows, all of which could adversely affect our operations and sales. Consequently, such social, political and economic uncertainties and challenges may lead to a substantial decrease in demand for our products and services.

A re-occurrence of events such as those described above or a further worsening of the economic and/or political situation in any of our geographic markets in which we sell our products and services, in particular, Germany, Western Europe and/or Eastern Europe could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.1.3. The markets in which we operate are highly competitive, and such competitive pressures from direct and indirect, existing and new competitors may have a material adverse effect on our business and result in reductions in our market shares and profitability.

Competition in the wholesale and retail food and non-food markets occurs in many different ways, through a wide range of products, formats, channels, service levels and prices, and is intense, particularly in larger cities. Thus, the constant need to adapt to market conditions is essential.

We generally compete with a large number of market participants based on locations of stores and other facilities, prices and quality of products, quality of service, variety and availability of products and the condition of our facilities. As our B2B customers are able to purchase products both in the wholesale and retail markets, we face competition from a wide variety of sources, including other wholesale and FSD operators (both warehouse based and delivery players), operators of modern retail format warehouse chains (including chains of large format warehouses such as hypermarkets and other retailers operating warehouses under various formats), producers and suppliers that sell their products directly to resellers (including the subsidiaries or distribution companies of larger firms), wholesale distribution companies, and traditional open-air markets. Local and regional companies often align themselves with other smaller distributors through purchasing cooperatives and marketing groups, with the goal of enhancing their geographic reach, own brand offerings, overall purchasing power, cost efficiencies, and ability to meet customer distribution requirements. These suppliers may also rely on local presence as a source of competitive advantage, and they may have lower costs and other competitive advantages due to geographic proximity. Furthermore, barriers to entry by new competitors, or geographic or product line expansion by existing competitors, are low. In addition, we increasingly face competition from pure online or multi-channel players, both operating globally or only locally. We see a trend that, in particular, in larger markets, participants expand their traditional retail offering to wholesale customers with customized solutions, including delivery and digital services. The increased availability of FSD may also make it more difficult for us to gain market share, sustain our market share or regain any potentially lost market share.

Additionally, our retail business in Germany operates in a very competitive environment in a saturated market with a number of already dominant competitors. It competes in the German grocery retail market not only with other large retail groups operating hypermarkets, but also with discounters, supermarkets, convenience stores and online retailers (for example, Amazon recently launched a food online retail business in Germany under the brand name “AmazonFresh”). We face the risk that the hypermarket segment, which stagnated in recent years in terms of value, may be unable to pick-up or even further lose market share to other formats, in particular, if consumers shift to more daily to top-up shopping at smaller, closely located stores or if online food shopping evolves further.

These and other trends could result in the expansion of existing or the entry of new market participants or the development of new formats and solutions and may lead to further intensified competition. If we are unable to compete successfully with such existing and new competitors, we may be unable to increase, maintain or rebuild our customer base and market shares. In addition, some of our current competitors and potential new market entrants may have greater financial, real estate, new facilities development, distribution, technical, personnel, purchasing, marketing and advertising resources, any of which could provide them with a competitive advantage. Also, intensified competition in the wholesale and retail foodservice industries has already contributed, and may continue to contribute, to an increase in competition for products from suppliers. This has, in certain cases, resulted, and may continue to result, in reduced product availability and higher purchasing prices.

Moreover, we may be affected by other significant changes in the competitive environment of the markets in which we operate, for example, further consolidation of the wholesale or food retail industries. In particular, the wholesale and retail foodservice industries are still to a large extent highly fragmented across most of the countries where we operate. We have, however, already observed increased consolidation of FSD activities, particularly in Germany and Austria. Mergers and acquisitions among our main competitors may cause us to lose market shares to the stronger companies emerging from such consolidations. Increased price competition against larger and financially stronger competitors or aggressive pricing strategies employed by our competitors, as we have recently observed in Russia, may also lead to a decrease in our sales and profitability or additional competitive pressure to reduce our pricing and margins. This is especially relevant for markets in which we are able to generate high profits, which are more likely to attract competitors, potentially harming our sales and profitability. Our competitive position may also suffer if we are unable to build up the required capabilities and implement the necessary measures to succeed in a given market.

There can be no assurance that we will be able to compete successfully against current competitors or future new market entrants, and, accordingly, competitive pressures could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.1.4. The economic, political or regulatory conditions in emerging markets could deteriorate which could negatively affect our results of operations, financial position, cash flows and prospects.

We operate in a number of emerging markets and developing economies, including China, India and Pakistan, among others, and face risks in connection with the further economic, political and regulatory development of these markets.

Most prominently, China, an important growth market for us, has been growing slower than expected in terms of gross domestic product in the recent past. In addition, the Chinese landscape for wholesale and retail trade is rapidly changing, driven by factors including a fast development of online and delivery business, changing customer demand and behavior, altering spending and consumer patterns and an increasing focus on health and safety aspects of food and non-food products.

Other emerging markets may have a difficult macroeconomic environment with weaker terms of trade and tighter external financial positions. In particular, political and policy uncertainties remain across a number of emerging markets, which creates challenging circumstances for our operations in these markets. Through the Classic Fine Foods group which we acquired in September 2015 and which is part of our FSD operations, we are present in various Asian countries catering for the needs of our HoReCa customers primarily in the Megacities of the region. Any substantial change in the local HoReCa markets in, for example, China, United Arab Emirates, Singapore or the Philippines, resulting from factors such as the slowdown or reversal of the recent demographic or income growth, and tourism or changes in consumer habits particularly concerning out-of-home consumption could adversely affect our FSD business model.

In addition, the so-called “grey market”, *i.e.*, the sale of certain products through channels other than the official channels explicitly allowed by the manufacturers, makes up the largest portion of the food markets in certain emerging markets. This makes it difficult for us to gain market share at the expense of such traditionally relevant channels. Products sold on the grey market are typically offered at discount prices that may be substantially lower than those of wholesale and retail distributors. In addition, products that are sold cheaper in Eastern Europe and emerging or developing markets may be reimported by other players into established markets at lower prices. Although grey market products generally carry no manufacturer guarantee and despite efforts by manufacturers to stop such activities, these products may increasingly undermine our competitive position in such markets. Furthermore, grey market offerings sometimes also extend to counterfeit products, which also draw away sales from wholesalers and retailers such as the Group. For example, in China and certain Eastern European countries, we (and other players in our industry) face considerable competition risks from counterfeit products, even in pricier product segments, such as whiskys.

Furthermore, in particular, as part of our FSD strategy, we also evaluate entering into new geographic markets, for example, countries which only recently lowered entrance barriers, such as Myanmar where we are currently preparing market entry through a distribution center in Yangoon planned to be opened in 2018. In general, international growth and expansion in emerging markets can also entail risks which may not be commonly encountered in developed countries, particularly when entering into emerging markets at very early stages of market opening in individual cases. These factors include underdeveloped, unstable or unreliable political, legal and regulatory regimes, inconsistent enforcement of laws and regulations or economic instability, a higher risk of conflict, limited or insufficient infrastructure, difficulties in finding reliable local suppliers and construction companies, in process handling or in prevailing over local competition and in acquiring sufficient business, difficulties with labor relations or compliance issues, as well as the imposition of any import, investment or currency restrictions, such as tariffs and import quotas on the repatriation of earnings and capital.

Moreover, emerging market economies are increasingly vulnerable to a change in investor sentiment. A stronger pullback of capital flows could tighten financial positions in emerging market economies and put additional downward pressure on their currencies, leading to adverse effects and possibly funding challenges. The trigger for such a development could take a variety of forms, including increased investor concerns about emerging market economies and commodity sectors, idiosyncratic events in the larger emerging market

economies, or the materialization of other risks to the outlook such as a weakening in global demand due to protracted financial market turbulence.

Any of the aforementioned economic, political and regulatory risks in emerging markets could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.2. Risks Related to Changes in the Wholesale and Retail Markets and Challenges to the Business Model and Strategy of the MWFS Group

1.2.1. Changes in retail end-user consumer or professional customer preferences, demands or changes in our customer composition may have a material adverse effect on our business if we are unable to anticipate, gauge and react to these changes.

The wholesale as well as retail markets for food and non-food are subject to changing trends, preferences and demands. Preferences and demands of retail end-user consumers and B2B customers, such as our HoReCa, Trader and SCO customers, in a given regional market in which we operate may also materially differ from other regional markets in which we are active. Generally, such preferences and demands depend upon a range of factors outside of our control, including demographic, economic, cultural and other factors.

Risks may also result from changes in customer and consumer behavior and expectations due to, among others, demographic changes, alteration to available income and spending budgets, fluctuating demand patterns, rising competition from existing and new competitors as well as increasing digitalization. We may fail to recognize relevant trends, to adequately consider customer and consumer trends and price developments in our assortments and sales formats and new sales channels. We may also fail to translate market trends into appropriate and saleable products that are competitively priced. Any such failure can have a negative impact on our sales and jeopardize our growth objectives. In particular, the Internet, including the dissemination of information via social media, is becoming increasingly important, particularly in retail, and is changing the role of customers and consumers, primarily concerning non-food items, as e-commerce channels enable to more readily compare prices. As a result, we must adapt our offerings and the way we communicate with our customers (see also *1.2.6 "— A failure to adopt and apply technological advances in a timely manner and to successfully implement our digitalization efforts and expand our online and multi-channel capabilities and other customer support tools could limit or reduce our sales, which could negatively affect our business, results of operations, financial position, cash flows and prospects."*). The same is true if we fail to adapt our store portfolio to changes which influence our customers' demand, for example, social-demographic changes in the catchment area or the structural condition of our stores.

Risks may also emerge from potential strategic misjudgments, in particular, with respect to anticipated customer and consumer behavior and development of local markets and sales channel mixes. In particular, we face the potential risk of inadequate customer focus which may result in an inability to access new customers or the loss of existing customers. Failure to innovate and keep up with customer preferences may negatively affect our sales and profitability.

In addition, our business may be affected by changes to the composition of customer groups in the regional markets in which we operate. Our margins may be affected if the percentage of sales to smaller or local independent businesses declines in comparison to our sales to chained or organized businesses, and if we are unable to successfully alter our operations and pricing accordingly. Similarly, a relative increase of chained or organized customers or increased use by our customers of group purchasing organizations ("**GPOs**"), being parties that act as intermediary to negotiating favorable pricing and other terms for their members, to aggregate the purchasing power of our customers may cause individual customers or GPOs to represent a higher proportion of our total sales, which could adversely affect margins and profitability. If we are unable or unwilling to change the pricing or terms in a manner satisfactory to these customers it could also negatively affect our sales.

The markets in which we operate are at different stages of development. Consequently, the focal points for our target customer groups, HoReCa and Trader, differ significantly across the

various countries in which we are active. There is a risk that changes in our customer preferences or composition are not correctly anticipated at an early stage, or at all. Moreover, our B2B customers are characterized by distinctly different sets of preferences. For example, our HoReCa customers generally demand consistent availability of high-quality ultra-fresh (for example, fruits, vegetables, seafood and meat) and fresh (for example, dairy products, frozen products and processed meat) food products at stable prices and delivery services. In contrast, our Trader customers typically seek predominantly dry and ready-to-eat solutions at low prices. Our sales and profitability depend on our ability to anticipate, gauge and react to changes in the spending patterns and preferences for specific food and non-food products. Therefore, material adverse effects may result if we fail to adequately assess the customer mix in a given regional market.

We may also not be able to adapt local business models (including local warehouse portfolio and warehouse formats as well as local sales channel mixes) in a timely manner or at all to keep up with the changes in the requirements for targeting customer groups in the respective country. To recognize such market trends and changing consumer expectations at an early stage and to target customer groups in the various countries, we regularly analyze internal and external information. In this process, the Group's own market research draws on qualitative market and trend analyses, as well as on quantitative methods such as time series analyses or forecasts of market developments derived from analyses of sales data and panel market research. This internal and external data that we use for such analyses may prove to be incomplete, incorrect or outdated, or we may draw the wrong conclusions from such data.

Although we have a very broad customer base and, thus, generally do not depend on specific customers, we generate a large part of our wholesale sales with our most loyal customers (so-called recurring customers) and would, as a consequence, be particularly affected if we lost a material part of such customers. Furthermore, in a few cases (for example, limited to specific fields of business or a certain region) we may also generate a larger proportion of our sales from only one or a handful of individual customers, and we cannot exclude that these customer relationships may be terminated. This could have a material adverse impact on our business. We generally do not have exclusive supply agreements or other contracts that would require these or any other customers to purchase our products or services for a particular period or volume, which could make it more difficult for us to maintain our customer base in light of the competitive pressures affecting us.

If not appropriately addressed, these and other changes in retail end-user consumer or professional customer trends, preferences and demands could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.2.2. We may fail to adequately implement our Operating Model or the new strategic focus of our business (including our new retail concept) which may fail to produce the targeted results, any of which may have a material adverse effect on our results of operations, financial position, cash flows and prospects.

At the beginning of the financial year 2015/2016, we launched a new operating model for our wholesale operations (the "**Operating Model**") primarily in reaction to ongoing changes in customer preferences and demands, in anticipation of potential further trends, and in an effort to support our growth strategy and value creation, with focus on local customer relevance. The implementation of the Operating Model may fail to produce the targeted results.

In the course of the introduction of the Operating Model, our various wholesale countries were divided into three categories, being HoReCa (with a primary exposure to HoReCa customers which include Germany, France, Italy, Portugal, Spain, Turkey and Japan), Trader (with a predominant exposure to Trader customers which include Moldova, Poland, Romania and Ukraine) and Multispecialist (focusing on HoReCa, Trader and SCO customers, which include China, India, Kazakhstan, Pakistan, Bulgaria, Croatia, the Czech Republic, Hungary, Russia, Serbia, Slovakia, Austria, Belgium and the Netherlands). This categorization was guided by our strategic focus on customer groups and expected market potential. In line with the Operating Model, strategy and financial planning uses as starting point the customer and the various market segments to identify and exploit the additional potential for our wholesale business in the individual countries, whilst also intensifying our competitor analyses. To achieve this

objective, our wholesale business specifically aims to better understand the requirements of selected key customer groups. This supports the transformation from a transaction-based supplier primarily focused on product sales into a partner who is a key partner for its customers. In doing so, our wholesale business does not only offer products, but targets our customers' needs with holistic solutions. Our success in implementing our Operating Model depends on, among other things, the accurateness of our assumptions and assessments relating to, *inter alia*, an accurate understanding of market trends, our competitive positioning and customer preferences and demands. If our assumptions or assessments are inaccurate, our ability to adequately implement our Operating Model and the success of our Operating Model could be materially adversely affected.

As part of our Operating Model we expanded and plan to continue to expand our sales channels based on a multi-channel strategy. In this process, we have particularly been strengthening and expanding our FSD and digitalization capabilities to better service our HoReCa customers. In addition, we have been developing new warehouse formats for our wholesale business to better suit our customers' needs, and also developed Trader franchise programs. In this context, risks can arise from the inadequate implementation and execution of our Operating Model as well as of the various measures identified in this respect. For example, a historic lack of experience in the FSD and Trader franchise formats may result in our inability to successfully integrate such formats into our business operations, to build up the required management competences (see also *1.3.11. "— Our success and future prospects depend on our ability to continue to attract, retain and motivate qualified personnel, in particular, for our senior management."*), to keep up with the rapid developments in the area to effectively compete with more established players and to create the expected synergies out of such formats, for example, with respect to procurement and other benefits of scale. We may also face various challenges with respect to the integration and further expansion of our supply chain and logistics network and may face new regulatory risks involved with these formats.

The same holds true for our retail business, where we aim to address changing trends to meet the demands of different retail customer groups and further advance the modernization process in retail. This includes in particular, our new "food lover's" concept currently tested in our Real pilot hypermarket in Krefeld, Germany, and evaluated for further (partial) roll-out for suitable Real markets at potentially significant investments. With this new concept we aim to target what we believe to be an increasing group of retail customers that seek a highly diverse range of products and place a premium on high quality products and services. Here, too, we may particularly misjudge anticipated customer behavior and demand, as well as the further development of our competitive landscape which may lead, among others, to frustrated investments or a need for further investments.

It could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects, if our Operating Model for our wholesale business and our new concept for our retail business fail to produce the targeted results and, in particular, do not appropriately address changes in consumer and customer trends, preferences and demands.

1.2.3. We may not achieve the planned expansion of our business, in particular, of our wholesale operations in select growth markets, FSD business and Trader franchise programs, or fail to capture additional customer potential, including potential cross-selling opportunities, which could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

Our strategy, in particular, for our wholesale business, includes selectively increasing the number of our warehouses and distribution centers with new openings and transformation of existing warehouses, in particular, warehouses in select growth markets (such as China, India, Russia and Turkey), and also in connection with the planned expansion of our FSD businesses, as well as the expansion of our Trader franchise programs in countries such as Poland, Romania and, in particular, Russia. In addition, our growth strategy involves our efforts to strengthen our multi-channel approach and the range of cross-selling opportunities. Implementing this growth strategy will require substantial investments and may not lead to the desired results or occur at the desired pace, and no assurance can be given that we will be able to successfully penetrate and operate in any new market on a sustainable and profitable basis.

This could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

Our success in pursuing our growth strategy will depend on various factors such as market research, an accurate understanding of customer demand and the level of disposable income in each regional market, the right positioning in newly-entered markets, the ability to offer products adapted to local preferences on competitive terms and our willingness to continue to invest in such markets. The implementation of our growth strategy will be affected by our ability to identify, develop and/or buy or lease attractive locations on acceptable terms, attract and hire skilled staff, implement the required infrastructure, obtain adequate financing to fund the expansion, find suitable local partners, receive and maintain the required regulatory approvals.

Other factors that may negatively influence the planned growth and result in higher-than-expected costs or delays or may, generally, result in deviations from our budget or ambitions include, in particular, political or economic instability, difficulties in prevailing over local competition and generating a sufficient level of sales, difficulties related to labor relations and regulatory and compliance issues, insufficient or ineffective internal controls relating to operational planning and budgeting processes, as well as any imposition of restrictions on import, investment or currency such as tariffs and import quotas on the repatriation of earnings and capital. If we fail to manage or project these challenges adequately, or if any of these risks materialize, the significant investments made may not be recouped and substantial losses could occur. Our potential failure to correctly estimate the socio-economic development of the cities and areas to which we expand may also affect the success of our new warehouses, hypermarkets or depots. Our internal planning and budgeting, including margin forecasts, could prove to be more ambitious than the profitability we are able to actually achieve with new warehouses, hypermarkets or depots and concepts which could have a negative impact on our business, results of operations, financial position, cash flows and prospects.

Furthermore, our strategy to expand our service and digitalization offerings, including, in particular, FSD in order to further support our transformation from a transaction-based supplier to a key partner for our customers, may lead to challenges that are substantially different to those faced in our stationary wholesale and retail business. In particular, the service and digitalization business areas have different requirements regarding the necessary capabilities and different financial parameters and margins. There can be no assurance that we will be able to successfully operate on a large-scale basis in these fields.

In addition, the expansion of our Trader franchise programs depends on the availability of prospective franchisees who meet our criteria. We may also fail to adapt the product offerings and our logistics, marketing, payment, fulfillment and customer care practices to take account of local tastes and practices and the operation of country-specific sales formats and channels.

Given the various challenges to which we are exposed and the uncertainties inherent in our business, there can be no assurance that our strategy will be successfully implemented. The realization of any of these risks could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.2.4. We may fail to successfully identify, enter into or integrate acquisitions, joint ventures or co-operations or to successfully execute divestments, all of which could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

Another element of our growth strategy is the acquisition of businesses, such as the recent acquisitions of the Classic Fine Foods group, Rungis express group and Pro à Pro group, and assets, including real estate, as well as entering into co-operations. In the future, we intend to continue to consider selected acquisition opportunities and joint ventures in order to further expand and undertake investments in a targeted manner.

There can be no assurance that we will be able to identify suitable targets or complete acquisitions or enter into joint ventures or investments on favorable terms or at all. It is also possible that not all material risks in connection with acquisitions or the establishment of joint ventures will be identified in the due diligence process and that such risks will be (sufficiently or at all) taken into account in the decision-making process, or the respective agreements

(including warranties). In addition, future acquisitions may also give rise to financial and tax restructuring measures which, even if designed with the aim to achieve a tax-efficient structure, may expose us to risks, for example, if the tax authorities were to challenge any of the implemented measures. Furthermore, past and future acquisitions, joint ventures and other investments in businesses entail risks relating to the integration of businesses, including, among other factors, employees, processes, IT, logistics and other systems, and product offerings and such acquired businesses may not, or not within the anticipated timeframe, achieve the targeted operative development. In particular, integration may be a complex, time consuming and expensive process, may be slower than anticipated and will likely involve a number of uncertainties. These include, for example, costs and expenses associated with unexpected difficulties, the diversion of management's attention from our daily operations and/or strategic business decisions, the potential loss of key employees, suppliers and customers, difficulties in competing with existing warehouses or business or diverting sales from existing warehouses or business, difficulties in complying with foreign regulatory requirements and the additional demands on management related to the increase in the size and scope of our operations. Furthermore, we may not realize anticipated synergies after the integration of past and future acquisitions or only slower than targeted.

In addition, future acquisitions may be capital intensive and could deplete our financial resources. Future acquisitions could also require us to incur debt or issue debt or equity securities to finance such acquisitions, which may dilute the interest of our existing shareholders. In addition, there is no assurance that we would have sufficient resources to participate in acquisitions if we consider that such acquisitions are necessary to, for example, ensure that we are able to maintain our market share in significant markets.

Furthermore, in joint ventures, co-operations and partnerships, including franchises, we could have only limited influence on the organization and business success of the companies concerned. Thus, our ability to fully exploit the strategic potential in markets in which we operate or which we enter could be impaired if we were unable to agree with our partners or joint shareholders on a common strategy and its implementation. The interests of our partners or joint shareholders could also conflict with our interests. Minority shareholders in certain joint ventures, co-operations and partnerships may also have approval or other rights under applicable corporate laws, joint venture or shareholder agreements or other organizational documents. Furthermore, the expected benefits may not materialize, and we may incur additional costs or other disadvantages which could have a material adverse effect on our reputation, business, financial position and results of operations. In addition, we could be subject to fiduciary or contractual obligations to our partners which may prevent or impede our ability to unilaterally expand in the business area in which such a joint venture or associated company operates. When a joint venture or other form of co-operation is dissolved or terminated, we may be required to make payments to our partners.

Risks may also result from past or future divestments, in particular, in regard to potential pre- or post-closing reductions of purchase prices or due to possible liabilities arising from representations and warranties or covenants, for example, regarding taxes, pensions or real estate valuations. Moreover, we remained in the past party (as lessee) to a substantial number of lease agreements relating to stores of divested businesses. If and to the extent the relevant businesses no longer perform (or are no longer able to perform) their obligations under the corresponding sub-lease agreements, we face the risk of loss of rent. Also we may not being able to sub-lease the premises concerned to third parties at favorable economic terms or at all. Further, we have granted certain guarantees in favor of lessors in connection with past divestments.

Failure to successfully implement acquisitions and co-operations or to successfully execute divestments could have a material adverse effect on our business, results of operations, financial position and cash flows.

1.2.5. Failure to adequately protect our reputation, the METRO, makro, real,- and other brands under which we operate could negatively affect our business, results of operations, financial position and prospects.

Our success is dependent, to a large extent, on our reputation, and the strength and value associated with the "METRO", "makro", "real,-" and other brands including those relating to our own brand products.

This reputation is subject to various risks, many of which are beyond our control. In particular, the quality and safety of our products and services, competitive pricing and inspiring shopping experience customized for our customers' needs are of critical importance. Those risks include, among other things, unsuccessful or insufficient marketing and merchandising efforts implemented and carried out by us or our suppliers, inability to adequately respond to consumer tastes and preferences or deterioration of the public image or reputation as a result of unfavorable publicity concerning our Group, the products that we sell or services we provide, our warehouses or hypermarkets and our personnel, our multi-channel operations or other negative publicity. If we fail, or are perceived to have failed, to deliver to our customers' satisfaction the expected experiences and standards (such as general quality, safety, health and environmental standards or specific standards for sustainable and/or organic products), our customers' confidence in and loyalty to us may be potentially impacted. Any potential issues at our locations could have a significant negative effect on our reputation and business operations and could lead to a loss of customers. In particular, this applies to countries where health and safety issues relating to food and non-food products have occurred in the past (such as China) and where we consider ourselves to enjoy a particularly high reputation for the quality and safety of the products we sell. Furthermore, environmentally harmful practices along our supply chain or at our premises may seriously damage our image and reputation and endanger our business.

We are also subject to regulatory oversight and regular health and safety inspections conducted by the competent authorities in various jurisdictions in which we operate (see also *1.5.3. "— Increased governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety or trade (including commercial income) could negatively affect our sales, profit and financial position in different ways."*). In the past, in individual cases, violations of certain regional sanitary and epidemiological regulatory requirements in certain of our facilities as well as instances of insufficient quality control or wrong declaration in packages were identified. For example, in February 2013, we recalled beef lasagna products sold under the own brand "TiP" in our German Real hypermarkets after horsemeat was found in selected samples. Although there was no evidence of a food health risk in such case, this irregularity generated negative publicity. Any potential violations of safety and health regulations or any quality issues with the products we sell could result in fines and negative publicity, and may have a material adverse effect on our brand name and/or reputation (see also *1.3.9. "— We face the risk of product and other liability claims as well as, in both cases, of the negative publicity relating thereto."*). More generally, any food scandals in the market, even if they are not directly related to our own brands or other products we sell, may also have negative effects on consumer confidence and buying behavior, and, thus, on our business.

In addition, it cannot be excluded that any mistakes, shortcomings or other actions of our employees may ultimately negatively reflect on the Group and damage our reputation. Furthermore, we have franchise partnership programs. The level of control over our franchisees is limited. Franchisees may not have the business acumen or financial resources necessary to successfully operate facilities in a manner consistent with our standards and may not hire and train qualified managers and other personnel. Our brand image and reputation may suffer materially and our sales could decline if our franchisees do not operate in compliance with external and internal standards or do not operate successfully. Disputes with franchisees could also damage our brand reputation and/or our relationships with the broader franchisee group.

In light of the increased public focus on corporate social responsibility issues, any breach or perceived breach of relevant laws, regulations, permits or licenses relating to the food and non-food products and services sold and provided by us, or failure to achieve or maintain particular standards (by us, our suppliers – including those of our own brand products, over which we have only limited control – or any of our franchisees and other partners) could also

lead to adverse publicity, a substantial erosion in the reputation of our brands (including tarnishing the reputation of products or services other than those specifically affected by the reputational issue) and damage to customer relationships. In addition, blogging and social media activities can heavily influence our business success. Criticism in blogs, forums and social media, based on ecological, ethical or many other considerations, and regardless of whether such criticism is reasonable or not, may rapidly spread online and damage our reputation and brands.

Any deterioration of the strength and reputation of our brands and products or the brand products of our suppliers could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.2.6. A failure to adopt and apply technological advances in a timely manner and to successfully implement our digitalization efforts and expand our online and multi-channel capabilities and other customer support tools could limit or reduce our sales, which could negatively affect our business, results of operations, financial position, cash flows and prospects.

We face risks in connection with the continuous technological development, the shift from traditional sales channels, such as brick and mortar stores, to online/mobile-based channels and multi-channel models, including, in particular, FSD, and the development of new or changed customer support tools, in particular in the area of digitalization tools as our market environment is undergoing fundamental changes including, *inter alia*, increased market transparency in favor of the customer as a result of increased digitalization. All of these can increase, among others, competitive pressure and impact our business model, market shares and profitability. It is imperative that we stay relevant for our customers (see also *1.2.1. "— Changes in retail end-user consumer or professional customer preferences, demands or changes in our customer composition, in particular, given that we generate a large portion of our sales with our most loyal customers, may have a material adverse effect on our business if we are unable to anticipate, gauge and react to these changes.*").

Our multi-channel offerings must keep pace with the technological development of the devices used by our customers, the technological progress of our competitors and a resulting change in shopping behaviors. Our success, in particular, with respect to the delivery sales attributable to our wholesale business and ability to service our HoReCa customers via FSD platforms, as well as our online retail sales, depends on our ability to continuously improve our technological platform and to develop new applications in line with the technological development and trends. For example, introduction of new payment solutions may entail substantial costs and efforts. However, there is no guarantee that such new solutions will be accepted by customers which may result in expenses which we cannot recover and may limit our sales. We face the risk that customers find the environment of our digital platforms difficult to use, are less willing to use the platforms than we expect, or are unwilling to share personal or business information online or via our mobile applications.

We may fail to adopt and apply new technological advances in a timely manner, or experience difficulties or compatibility issues in doing so, (see also *1.3.7. "— We depend on a variety of information technology systems and the Internet and the failure or insufficiency of such systems could harm our business.*"). Unexpected costs in connection with the further development of our platforms may also arise. We may face difficulties in further coordinating our digital platforms and our brick and mortar warehouse and hypermarket network, in particular, to manage the interface between in-store-merchandising, click-and-collect, delivery and/or online shop, which could both result in complications for our multi-channel customers. Also, the FSD business is particularly IT-intensive and requires a fast, seamless process of orders and increasing automation in order to operate efficiently. We are still working on making the IT systems compatible across our international operations and plan to gradually integrate recently acquired platforms (such as the recent integration of the online platform of Hitmeister with the Real platform). It cannot be excluded that further progress may be slower than anticipated or that we may face implementation difficulties that may ultimately hinder or delay the build-up of efficient FSD, delivery, online and other platforms.

Any such failure to adopt and apply technological advances in a timely and effective manner and to further invest into multi-channel strategies could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.2.7. We may fail to timely implement efficiency improvements and cost saving measures (including select portfolio adjustments and restructuring measures) and such planned improvements and measures may fail to achieve their targets, which could negatively affect our business, results of operations, financial position, cash flows and prospects.

We operate in an industry where efficiency improvements and cost savings are crucial in order to maintain competitiveness and profitability. In recent years, we have implemented a number of efficiency improvement and cost saving measures including, in particular, portfolio adjustments and restructuring measures carried out in the past such as the disposal of wholesale activities in Greece (in January 2015) and Vietnam (in December 2015) and the discontinuation of wholesale operations in Egypt (in February 2014) and in Denmark (in December 2014). In addition, ongoing measures for our retail business and our headquarters in Germany are currently being implemented. Although we have already identified a substantial number of measures to be implemented in this regard, and have implemented a significant part of these, there are still a number of measures to be identified or implemented. Even after the completion of the Demerger (as defined below), we envisage continuing our efficiency improvement and cost saving efforts on a regular basis and further portfolio adjustments or restructuring measures may potentially become necessary.

With respect to such measures, we have already incurred, and may continue to incur further substantial restructuring costs and cash-outs, including severance payments and capital expenditures, as well as impairments. If these costs and expenses we have incurred and continue to incur as part of our efficiency improvement measures are not offset by future savings, our financial position may suffer. Expected efficiency improvements and cost savings are based on certain assumptions and estimates and are therefore subject to uncertainties. There can also be no assurance that these initiatives will bring about the targeted gross cost savings, efficiencies and the expected increase in our business potential and earnings.

Any failure to timely implement efficiency improvements and cost savings measures (including select divestments), or the realization of any of the aforementioned risks during or after the implementation, could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3. Risks Related to our Business Operations

1.3.1. Increases in prices charged by food and non-food suppliers, limitations in the availability of products or loss of any key suppliers or procurement partners may have a material adverse effect on our profitability if we are unable to pass on such increases to customers or timely obtain adequate alternative supplies.

The success of our business depends heavily on the procurement terms, including purchase prices, of the products we offer for sale and the timely availability of these products or products of similar quality, particularly given that the markets in which we operate are characterized by relatively high inventory turnover and relatively low profit margins. Volatile purchasing prices therefore directly affect our margins and profitability. In many cases, our large purchasing volumes have a positive effect on price and ability to source products. However, product prices and availability are dependent on a number of factors, including the availability of the required raw materials which may temporarily or continually become scarce, changes in economic and monetary policy affecting inflation rates, increased energy costs, increased transportation cost or transportation disruptions resulting from increases in fuel costs or its limited availability, work slowdowns or interruptions, weather conditions, competitive demand, crop conditions and natural disasters or other catastrophic events. This can drive up purchase prices, lead to a certain level of volatility or affect the availability of products.

In particular, in recent years the prices at which we purchased products from our suppliers have constantly increased, although variances between different product categories and

regional markets exist. For example, the cost of basic agricultural commodities has continued to increase globally, which has contributed to, among other things, increases in prices of food products. If prices at which we purchase products from our suppliers increase, we need to pass on all or a large portion of these additional costs to our customers to be able to maintain our margins. However, we may be unable to increase the selling price of products to fully or partially offset the price increases by our suppliers (some of which have considerable negotiating power), particularly if our main competitors choose not to implement such price increases.

As competition in the international wholesale as well as retail markets becomes increasingly intense (see also *1.1.3. "— Risks Related to the General Economic Environment and the Markets in which we Operate — The markets in which we operate are highly competitive, and such competitive pressures from direct and indirect, existing and new competitors may have a material adverse effect on our business and result in reductions in our market shares and profitability."*), unilateral price increases may lead to declines in sales, loss of market shares and other adverse consequences. Accordingly, we may be significantly constrained in our pricing policy by the actions of our direct and indirect competitors. As a result, we may be forced to reduce the selling price for products in our warehouses and hypermarkets in order to maintain our market share, which may significantly reduce our profitability.

In addition, in certain regional markets, such as China and Russia, we may be unable to increase our prices to match price increases of our suppliers due to regulatory reasons. Federal or regional authorities imposed and may continue to impose regulatory constraints on the ability of sellers and resellers of, in particular, food to increase their prices. For example, under certain circumstances the Russian government is entitled to set maximum prices on certain types of goods of prime necessity for a certain period. There can be no assurance that federal or regional authorities would not continue, attempt to re-introduce, or initiate new measures limiting the ability to increase prices on products which we sell or regulating margins.

Furthermore, fluctuations in fuel prices and reduced availability of fuel may affect the demand for our products and services and our operations. Any increase in fuel prices will affect the costs for customers to visit our warehouses and hypermarkets, which may cause a decline in sales. Similarly, the costs of delivering products to and from our warehouses, hypermarkets and depots could be affected by an increase in fuel prices, which we may not be able to pass on to our customers. In addition, energy costs represent a considerable part of our (fixed) overall cost base. Any significant increase in energy costs could, thus, negatively impact our business, results of operations, financial position, cash flows and prospects.

Moreover, we may lose key suppliers, fail to develop relationships with new suppliers or be unsuccessful in obtaining products from alternative sources that are of the quality demanded by us, competitively priced and available in the large volumes. In particular, our HoReCa customers generally demand consistent availability of high-quality fresh and ultra-fresh products at stable prices. Any inability to obtain products, in particular, fresh food, ultra-fresh food and "must-have" products for which our customers expect continuous availability, may cause customers to turn to our competitors. Furthermore, we have established several collaborations with trading and service co-operations. We may fail to develop or renew these collaborations or we may not realize anticipated procurement possibilities therefrom, all of which may result in inefficiencies or higher procurement costs.

If any such measures are implemented, or if we are otherwise unable to obtain high-quality products in sufficient quantities in a timely manner and at competitive prices or to pass on increases for the products that we sell to customers, this could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.2. Reductions in supplier discounts, rebates, bonuses, service fees and/or other commercial income could adversely affect our business, results of operations, financial position, cash flows and prospects.

As per standard international practice in the wholesale and food retail industries, we are regularly able to obtain discounts, rebates, bonuses, service fees and/or other commercial income from our suppliers. In particular, in line with regular industry practice, we typically enter into contracts with our suppliers which include commercial income rules with deductible back margins for services or other factors. This practice has been and may be further scrutinized by

regulatory authorities in certain countries (for example, in the Czech Republic, Poland, Romania and Russia) and may in the future not be feasible anymore or only at different terms. For example, regulatory changes were recently introduced in Russia where in July 2016, with an additional transition period of six months, new regulations were introduced relating to supply agreements limiting, *inter alia*, commercial income such as contractual bonuses and terms of supplier credit. Also, with respect to certain essential products, such as baby food, limitations of the corresponding trading mark-ups were introduced. As a consequence of such or similar regulatory changes and also due to potential other factors such as changes in the sales channels mix, market practice or our relationships with suppliers, we may be unable to further increase or maintain the same level of supplier discounts, bonuses and service fees in the future. For general regulatory changes affecting our business, see 1.5.3. *"— Legal, Regulatory and Tax Risks — Increased governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety or trade could negatively affect our sales, profits and financial position in different ways."*.

In addition, we also rely on suppliers to provide market development funds (*i.e.*, funds made available by the brand manufacturers to wholesalers and retailers to support selling their products and creating local brand awareness). These are typically significant, and suppliers' decisions to discontinue the use of our marketing channels can have a substantial adverse financial effect on our Group. Moreover, if we fail to comply with the terms of the supply agreements, we may face penalties, potential termination of a contract for cause, or the risk that a supplier does not renew our contract at the end of the term.

Any reductions in commercial income from suppliers due to the aforementioned or other reasons could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.3. Disruptions to, or insufficiency of, our supply and logistics systems and infrastructure management, including as a result of supply disruptions, poor infrastructure conditions, adverse climate, natural disasters, human error or acts of terrorism, could materially adversely affect our business.

As a wholesaler and retailer, we depend on external producers and providers for the supply of our goods and services. Thus, the delivery of products to our depots, warehouses and hypermarkets is dependent on our supply and logistics systems, including transportation services provided by third parties. If our supply and logistics systems were to experience a sustained disruption due to, among other things, poor infrastructure conditions or disrupted infrastructure because of inclement weather, natural disasters, pandemics or acts of war or terror or other reasons, we could face difficulties transporting, processing or distributing products to our depots, warehouses and hypermarkets or be unable to do so at a reasonable cost. Furthermore, global issues such as climate change, overfishing of the world's oceans or access to clean water may result in restrictions of certain resources such as specific types of fish. Any such disruption may result in a depletion of our inventories and an inability to offer our customers our full product assortment. This could in turn lead to a loss of our customer base and market shares.

The risk of disruptions to our supply and logistics systems is further intensified due to the growing variety of items in the product range, high merchandise turnover, the internationalization of our suppliers, increasing focus on regional and local product assortments of our customers, as well as, in certain cases, dependencies on individual service providers. In particular, supply and logistics risks increase in remote locations due to long delivery distances, less developed infrastructure and harsh climate. Disruptions to our supply logistics systems could result in higher operating costs and delays, and, if alternative arrangements are not available at a reasonable cost or at all, such disruptions could have a material adverse effect on our business.

Our supply and logistics chain is also susceptible to various risks, including failure by our suppliers to deliver due to operational or production disruptions, financial problems, labor issues, product quality issues, lack of raw materials or other reasons. For many of our product categories, in particular, for certain "must-have" products for which our customers expect continuous availability, we have few, if any, alternative suppliers that are readily available. This especially applies to fresh fruits and vegetables, meat, fish and certain dairy products.

If one or more suppliers were to fail to deliver the products of adequate quality to us in time or at all, or if we fail to acquire, maintain or strengthen our relationships with suppliers, our ability to obtain a sufficient amount and variety of products may be limited. There can be no assurance that additional or alternative suppliers will be available when required on terms that are acceptable to us. Furthermore, in such cases, we might need to make changes to our supply chain and enter into other business arrangements to ensure the supply of products. This could result in additional costs and temporary supply shortages or disruptions. Additionally, any resulting prolonged negative impact on the quality of the products or services supplied to us could materially adversely affect our reputation and business.

In addition, a lack of appropriate and active inventory management conducted on the basis of adequate planning parameters could result in significantly higher warehousing costs and above-average write-downs on products. Thus, failure to control the amount and quality of stock could reduce profitability and result in losses. For example, constraints in our inventory management systems or processes may lead to excess inventory in one location and insufficient inventory in another. Furthermore, failure to order enough stock or problems in the delivery and distribution of stock could result in unfilled orders and missed sales opportunities. Inefficiencies of, or disruptions to, our supply and logistics chain may also lead to spoilage of products and, consequently, higher cost of sales. In particular, ultra-fresh and fresh food items with a short shelf life require an uninterrupted supply and logistics chain to ensure optimal quality and availability. We may face the risk that we have to discard certain of these or other products if, for example, our inventory and product group management fails.

Inadequate or incorrect projections regarding future product volume can also result in insufficient product availability and inefficiencies in supply and logistics. In particular, incomplete or poorly managed product and customer master data can lead to serious delays and disruptions to the inclusion and removal of products from our stock as well as the product supply to our customers. Additional challenges and risks arise from the expansion of our multi-channel offerings, in particular, our strategy to further expand our FSD and digitalization activities and tailor those to our different sales lines. The increased complexity that results from these activities, as well as other innovative sales formats entail the risk that our internal processes or interfaces with external service providers may be inefficient, ineffective or insufficient for our needs. This could result in the need for increased investments in the reorganization and further optimization of our supply and logistics systems, or may generally lead to higher operative expenses.

Furthermore, we are currently implementing a new logistics strategy for our wholesale business in Germany and our retail business which entails building a new main distribution center in Germany while closing down some of our current local distribution centers. We cannot exclude delays in the implementation of this new logistics strategy. In addition, the transition from our current logistics setup to our new logistics architecture may not be as smooth as we currently envisage and we may incur, for example, inefficiencies, supply shortages or disruptions, in particular, during the initial ramp-up phase.

Any disruptions to, or insufficiency of, our supply and logistics systems and infrastructure management, including as a result of supply disruptions, poor infrastructure conditions, adverse climate, natural disasters, human error or acts of terrorism could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.4. We depend on our ability to acquire or lease appropriate real estate on commercially acceptable terms, to commercially exploit our real property rights and to build new warehouses on newly acquired or leased sites.

Our ability to compete depends in part on our ability to open new warehouses, hypermarkets and depots in attractive locations. This, in turn, is heavily dependent on identifying and purchasing or leasing land plots and/or premises that are suitable for our needs on commercially reasonable terms. In particular, the real estate market in metropolitan areas, and especially in Megacities, is highly competitive, primarily due to a limited availability of suitable land plots and premises. We face competition not only from other wholesale and retail industry participants, but also from a variety of other industries, including property developers. Thus, competition for and the cost of, suitable land plots and premises have increased significantly

and may further increase. Furthermore, new stores from other wholesalers or retailers or our Group in the proximity of our existing warehouses and hypermarkets could compete with our existing facilities for customers. Competition may particularly intensify in emerging markets as they mature and more competitors enter them.

If we make the wrong decisions in the selection of our business locations or fail to identify and secure a sufficient number of land plots and premises for any reason (including competition from third parties seeking similar land plots and premises), we may fail to increase our customer base and also lose customers. This can adversely affect our market shares and anticipated growth. Any decisions that prove wrong in hindsight may lead to an unprofitable use of selling space, as well as risks from having unused selling space for which no further useful purpose can be found, which pose a risk to the intrinsic value of our warehouse network.

When we lease a premise, we try to enter into long-term lease arrangements which, depending on the regulatory framework in the jurisdiction concerned, typically run for ten years or more with a unilateral option or options to prolong the term. Nonetheless, we face the risk that a lease agreement may be terminated by the lessor during its term or may not be extended after the expiration of its term. In these and other similar situations we could be deprived from future business opportunities and could also incur frustrated investments in the premise and its surroundings which were made in anticipation of a longer duration of the agreement. In addition, we may face significant costs with respect to long-term lease arrangements in case a location proves to be unprofitable and we are bound by long-term payment obligations. Furthermore, we may face significant indemnity expenses in case of early termination of these long-term lease arrangements.

In addition, the commercial leases that we enter into typically provide for an adjustment of the rent as a function of fluctuations in certain public indices. Such adjustments based on indices are intended to counteract inflation risks of long-term contracts. If the relevant indices increase at a higher rate compared to past performances, or if there are adverse changes of the calculations underlying such indices, any rents linked to these indices will be adjusted at higher levels. This could increase our expenses and have a negative impact on our profitability and results of operations. A part of our lease agreements also contain additional sales-related variable lease payments which will affect the ultimate level of our rent based on the level of our sales.

We typically acquire ownership or lease interests in land plots and buildings with a view to construct new facilities or refurbish existing buildings for our business. Land and property legislation in certain jurisdictions, such as China or Russia, is complex and often ambiguous and may contain contradictory provisions at the federal, regional and local levels. In particular, the process and the requirements applicable to the transfer of ownership or lease interests in land plots by state bodies to third parties are sometimes not clear. As a result, our ownership of or lease rights to land and buildings may be challenged by government authorities, counterparties or third parties. Transactions involving real estate may be challenged on many grounds, including failure to register the transfer of title in the pertinent register or fraudulent actions by a seller or assignor of rights to real estate. This may lead to the invalidation of such transactions which may also affect our title or lease rights to such real estate.

In addition, the properties we own or lease may be destroyed or lost, for example, due to natural disasters, human errors, acts of vandalism, war or terror or political decisions (for example, of expropriation).

Consequently, there can be no assurance that we will successfully identify, purchase or lease and maintain suitable land plots and/or premises on acceptable terms, within the anticipated timing or at all. Failure to do so could result in frustrated investments, cost overruns or operative restrictions with a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.5. Any delay in the development of land plots, including the construction of new facilities, may impair our expansion plans and maintenance or repair backlogs could have a material adverse effect on our business.

Even after we locate and procure rights to suitable land plots and premises, we are typically required to obtain a broad range of approvals from various state, regional or municipal authorities to arrange utility services and road access (if needed), undertake construction and

to secure our rights to operate premises or to refit or refurbish premises. Obtaining such necessary approvals may require extensive documentation and can be time-consuming. We may be unable to accurately predict how long it will take to obtain such approvals due to inconsistent and often ambiguous regulatory requirements, delays in administrative procedures, a lack of co-operation between the different public authorities involved and other factors. In particular, certain jurisdictions (such as China or Russia) have construction approval procedures which are complicated, and construction permits are prone to challenge or withdrawal. Construction and environmental rules also often contain requirements that are difficult to fully comply with in practice. Therefore, obtaining a construction permit for a new facility or an expansion or renovation permit for an existing facility may be time consuming and involve regulatory challenges. Even if we acquire the necessary permits and other approvals, construction of new facilities or expansion or renovation of our existing facilities may be delayed or cancelled.

In addition, in the markets in which we currently operate and in our target markets, there may be a shortage of skilled contractors able to build our new premises or carry out expansion or renovation of our existing premises on time, on budget and in compliance with the applicable health and safety and other regulations and our internal requirements. Furthermore, our internal controls may be insufficient or ineffective with regard to investment and costs related to expansion and construction. As a result, we may not be able to meet our target expansion plans and our construction or renovation costs may exceed the budget. Furthermore, if we fail to comply with applicable regulations, such failure could lead to the imposition of sanctions, including civil, administrative and criminal penalties on the relevant member of the Group and on our managers. The imposition of any such penalties or sanctions could give rise to negative publicity and press speculation about our actions, which could have a material adverse effect on our reputation and disrupt our ability to effectively expand and conduct our business.

Furthermore, in cases where we purchase and develop a property, site development costs are typically calculated based on its technical conditions which we may be able to obtain from the authorities only after we acquire a certain property. As a result, it is difficult to calculate site development costs until the land plot is purchased. In the past, we have incurred substantial site development cost overruns with respect to some of our premises, particularly in countries such as China and Russia, and we may incur significant site development cost overruns in the future.

We also often enter into co-development agreements with owners or operators of adjacent land plots to share site development costs, and as a result we are exposed to the risk of failure by these counterparties to comply with their obligations under such agreements.

We may also face the risk of maintenance and repair backlogs potentially triggering additional investments at our premises, should our maintenance plans and monitoring measures not prove successful or if, for example, new or amended technical standards or usage concepts are introduced. In particular, costs relating to the maintenance of our premises may be higher than anticipated in case extraordinary expenses outside the normal maintenance or replacement cycle become necessary. Examples for such potential further investments could be, among others, deficiencies in the structural or other conditions of properties, for example, fire prevention, including lacking documentation regarding such conditions. Should such deficiencies materialize, as has occurred in individual cases in the past, this may also cause partial or temporary disruptions to the operations at certain of our warehouses, depots or hypermarkets and we may face liability or reputational risks as owner or operator of the premises.

If we are unable to construct new premises or expand or renovate our existing premises as a result of the foregoing reasons or otherwise, this could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.6. The integrity of customer information stored by us may be compromised and any loss or misappropriation of customer data may damage our reputation and brand and may give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges.

We are dependent on our reputation of handling our customers' information safely, as well as providing a safe online location through which business can be transacted. Regulations such as those regarding data protection in credit card processing, the use of customer-specific information in big data solutions that are associated with an increased public debate about misuse as well as the growing complexity of IT generate risks for our business. We rely on the accessibility, reliability and security of our IT systems and are significantly vulnerable to computer viruses, break-ins, phishing attacks, other cyber security attacks or threats and similar disruptions from unauthorized use of our computer systems (including by our own employees or contractors). Any of these could lead to interruptions or delays, cause loss of critical data or bring about the unauthorized disclosure or use of personal or other confidential information. Similarly, we rely on third-party services providers which may fail to abide by contractual terms, laws, regulations or industry standards on data protection. Any failure to comply with applicable laws or regulations may give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges and could have an adverse impact on our reputation.

Regulation regarding data collection and data protection may also become stricter in the future. New laws, regulations or developments in this field and changes in consumer behavior could interfere with our strategies to use privacy-related information for our marketing and sales efforts, including the use of our METRO card, a retail loyalty card or e-commerce platforms, and could consequently have an adverse effect on our strategy, business and results of operations. For example, the new regulation (EU) 2016/679 on data privacy of April 27, 2016 (the "**General Data Protection Regulation**") has introduced substantial changes to the data protection regime of the EU, for example, regarding intragroup as well as external data transfers. This regime will to a large extent replace current national data protection laws by a directly applicable EU regulation. The General Data Protection Regulation will apply as of May 25, 2018 and likely impose a substantially higher compliance burden on our business. In addition, the regulation will increase the maximum level of fines for corporations to the higher of up to EUR 20 million or 4% of a company's total worldwide annual sales. As a result of any substantial amendments to laws or regulations in the jurisdictions in which we operate, we may have to incur higher compliance costs, change our business practices and face an increasing risk of non-compliance due to increased complexity of such laws or regulations.

Furthermore, we are exposed to the risk that customer data which we collect for marketing purposes may be stolen or misappropriated. In this case, customers may be discouraged from providing us with their data or our marketing could be negatively affected as a result. Failure to protect our customer data may therefore adversely affect the value of our METRO card system as well as retail loyalty card system, including a decrease of our cardholder base and reduced card issuance rates. Moreover, if we or any third-party service providers on which we may rely fail to transmit customer information in a secure manner, or if any such loss of personal customer data were otherwise to occur, we could face liability under data protection laws. This could also result in the loss of our customers' goodwill and deter new customers. The realization of any of these risks could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.7. We depend on a variety of information technology systems and the Internet and the failure or insufficiency of such systems could harm our business.

We depend on a variety of systems for our operations, including point-of-sale, distribution, inventory management, order processing, stock replenishment, customer-relationship management, financial and operational reporting, accounting and other systems. We are also dependent on corporate IT applications, related maintenance and support IT services and software updates. Dependence on efficient IT systems is particularly high for FSD, out-of-store delivery and our other multi-channel businesses such as online shops, sales channels which are increasingly important to the Group's business.

Our IT systems and operations are vulnerable to damage or interruption by human error, data inconsistency, natural disasters, power loss, computer viruses, intentional acts of vandalism and other breach of security and similar events. While we have contingency plans in place to deal with such events, failures or delays in the future could cause significant losses. Failures, instability or significant disruptions to our information technology systems, such as equipment breakdowns, could prevent us from making sales, placing orders, managing inventory, delivering products and otherwise conducting our operations efficiently, which could result in loss of customers, loss of sales and increased operating expenses. Other risks that affect our operations, and, in particular, FSD, out-of-store delivery and our other multi-channel businesses, include reliance on third parties for computer hardware, software, services and support over which we have limited or no influence, the need to keep up with rapid technological change and the implementation of new systems and platforms.

Furthermore, past and future acquisitions, joint ventures and investments in businesses entail risks relating to the integration of such businesses in our IT-based systems for our operations, including point-of-sale, distribution, inventory management, order processing, stock replenishment, customer-relationship management, financial and operational reporting, accounting and other systems. Such integrations may be a complex, time consuming and expensive process and will likely involve a number of uncertainties. These include, among other things, the costs and expenses associated with unexpected difficulties, the diversion of management's attention from our daily operations and/or strategic business decisions.

In addition, our ability to operate our business depends on our ability to protect the information technology systems that we operate from the intrusion by third parties who may attempt to enter our systems through the Internet or otherwise. We rely on the Internet for information sharing among our warehouses and hypermarkets, logistics and other facilities, as well as our regional offices and our head office and use, for example, social media channels and electronic newsletters which are distributed by e-mail to our customers. The Internet generally, and individual websites in particular, have experienced a number of disruptions and slowdowns, some of which have been caused by organized attacks or security breakdowns. Third parties may attempt to gain access to our systems, and we cannot be certain that we will be able to protect our systems from such attacks.

Were we to experience a significant security breakdown or other disruption to our information technology systems, sensitive information, including customer data, commercial, financial and product information, could be compromised and our operations could be disrupted. This could harm our relationship with our suppliers or customers. In addition, employees or third-party service providers may cause similar damage to, or take similar actions with respect to, our information technology systems to which they have authorized or unauthorized access.

If such an attack occurs or damage is inflicted to our information technology systems, this could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.8. We face operational and reputational risks with respect to our own brand products and may not be able to maintain the share of revenue from sales of our own brand products, which could lead to lower gross margins and thus have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

Our success is dependent on the strength and reputation of our own brand products which we sell under own brands. Regarding own brand products sold by our wholesale business, in the financial year 2015/2016, our share of own brand product sales, based on Data Warehouse (as defined below), represented approximately 17% of our METRO Wholesale external sales (net) on a like-for-like basis and we plan to further increase the proportion of sales that we generate from sales of own brand products ("**Data Warehouse**" is our internal management system; figures based on Data Warehouse are statistical and are prepared by using a self-reporting customer classification system; for sales figures per customer group (*i.e.,* HoReCa, Trader and SCO), such figures exclude non-strategic product categories (including tobacco, petrol and empties); thus, deviations from financial information as reported in the Combined Financial Statements (as defined below) may occur).

Our own brand products are generally priced lower than comparable brand-name products. Mainly because the suppliers do not incur marketing and advertising expenses on own brand products and because we order them in bulk, we are able to purchase own brand products at significantly lower prices than similar branded products. Should we be unable to generate sufficient demand for our own brand products, we may have to reduce the number of such products on offer, which, in turn, could lead to lower gross margins.

Moreover, we acquire our own brand products from a wide range of manufacturers. Our agreements with the manufacturers of these products, which set forth the production and delivery of own brand products, are typically based on an order-by-order concept. Quantities and prices for our own brand products are regularly contracted with the manufacturers for a year's term and on basis of a non-binding forecasted demand. We usually do not own exclusive rights to these products, and it cannot be excluded that the manufacturers may sell the same products to other wholesalers or retailers, that may offer them under a different brand and packaging. This, in particular if known to the public and when sold by other wholesalers or retailers at a lower price, could reduce our sales of the relevant products.

Also, we only have limited control over manufacturers of our own brand products, and there is no guarantee that the products supplied will continue to meet our specifications and the specifications of our customers. In addition, the manufacturing and delivery processes relating to our own brand products may be disrupted for a variety of reasons. As a result, we may be delayed in restoring our inventory of the affected own brand products, and we may experience a significant increase in our cost of sales. Furthermore, any breach or perceived breach of relevant laws, regulations, permits or licenses relating to the own brand products sold by us, or failure to achieve or maintain particular standards could lead to adverse publicity and a substantial erosion of the reputation of our own brands, and the "METRO" or our other brands. This could damage our customer relationships and cause a decline in our sales. In particular, defective or unsafe products, an exploitation of the environment or inhumane working conditions and failure to adhere to our compliance standards could cause major damage to our image and pose a lasting threat to the Group's success.

Any of these factors and the development or materialization of any such risks related with our own brand products may result in a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.9. We face the risk of product and other liability claims as well as, in both cases, of the negative publicity relating thereto.

The packaging, marketing, transportation, distribution, storage and sale of food and other products purchased by us from others (including products we offer under our own brands) carries an inherent risk of product contamination, deterioration or defect, which could potentially lead to product liability claims, product recalls or adverse publicity. Food and non-food products may contain contaminants that, in certain cases, may result in illness, injury or death. There can be no assurance that such claims will not be asserted against us in the future or that such recalls will not be necessary. While we maintain product liability insurance, our policies are subject to standard deductibles, exclusions and limitations that could affect our ability to make a claim. Consequently, there can be no assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. In addition, as we sell our own brand products (manufactured by third parties) under our own brands and import certain products from non–EU countries, we may qualify as quasi-manufacturer of certain food and other products and thus be subject to applicable legislation on product liability. In particular, EU Directive 85/374/EEC of July 25, 1985, as amended, on product liability claims, which applies to practically all movables marketed in the European Economic Area, establishes the principle of strict liability, *i.e.*, liability without fault of the producer, in cases of damage caused by a defective product. Consequently, we may face product liability claims with respect to our own brand products even if a third party, for example, one of our B2B customers, is responsible for the defect in the respective product. Product liability claims relating to defective products (whether produced under a third-party brand or under our own brands), if successful, could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

Furthermore, we may become subject to claims for personal injury, death, property damage or other liability claims by customers that are injured while visiting our warehouses or hypermarkets. Although we carry comprehensive liability insurance against such events, liabilities in respect of existing or future claims may exceed the level of our insurance coverage and our reserves.

Even if a product or other liability claim is not successful or is not fully pursued, the negative publicity surrounding such claims could have a material adverse effect on our reputation with existing and potential customers. Similarly, our reputation may be affected by any adverse publicity about the quality, traceability, sustainability or integrity of our products and operations, or the markets in which we operate. Maintaining the reputation of our brand names is critical to our success, which depends to a significant extent upon brand recognition and the goodwill associated with it. Adverse publicity could result in a loss of customer trust in our brand and ultimately to the loss of our market share, which may in turn lead to a decline in our net sales and profitability. Furthermore, negative publicity relating to our suppliers, for example, assertions of harmful environmental practices or inhumane working conditions, could also have an adverse effect on our brand names and reputation.

In case of product incidents, our logistics systems must also be prepared to trace the product's itinerary and origin within a very short time. This is generally done with the help of modern technologies and product identification standards. However, such technologies and standards may fail or prove insufficient which, in turn, could result in higher costs or further reputational damages.

Therefore, if a product liability or other claim is made against us (even if such claim is unsuccessful) and/or adverse publicity relating to our brand is generated, whether as a result of the actions of a third party (such as a supplier) or stemming from an action of a regulator, it could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.10. Our business is exposed to seasonal fluctuations which, independently or in combination with other events, may significantly affect our business, results of operations, financial position, cash flows and prospects.

We experience seasonal fluctuations in our operations, including a significant increase in sales during the fourth quarter of the calendar year which is the first quarter of our financial year, particularly in December prior to the New Year period. This is generally followed by a decrease in our sales in the following quarter. Consequently, poor sales performance in the first quarter of our financial year could adversely affect our full-year results and leave us with substantial excess stock that is difficult to liquidate. Furthermore, displacements of the seasonal holidays such as the Easter holidays, Chinese New Year, the dragon boat festival or the mid-autumn festival can result in fluctuations of our sales in the respective months.

Additionally, any events having an adverse impact on our sales during such peak sales periods (such as, for example, supply disruptions or adverse publicity) would have a particularly negative effect on our business. In addition, seasonality of market demand for various products could cause significant changes in our performance throughout the year.

Furthermore, we experience a significant increase in our net working capital during the financial year with investment in inventory generally reaching a peak in October and November while our trade payables, due to our general payment terms with suppliers, typically peak in December. Consequently, we may be limited in our ability to make capital expenditures during these periods.

Any changes to or inability to respond to seasonal and cyclical variations in demand could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.11. Our success and future prospects depend on our ability to continue to attract, retain and motivate qualified personnel, in particular, for our senior management.

Qualified and motivated personnel is one of the key factors for the further development of our business, in particular, our further technological development and geographic expansion. In

particular, our Operating Model, which centers on local markets and allows local companies to develop and implement their individual value creation plans, is highly dependent on the attraction, retention and motivation of qualified personnel. There is a risk that we may not be able to attract key personnel to fill vacancies or that we fail to retain key employees, in particular, in the face of demographic change and intense competition for the best people. Personnel shortages and the loss of key employees could adversely impact our future business development, particularly relating to access to digital resources through specialized IT personnel. In addition, there are risks related to our dependence on individual persons in key positions, particularly at management level, and qualified staff, for example, in the areas of distribution, service, production, IT, finance and marketing.

The loss of management personnel or employees in key positions could lead to a loss of know-how, or in certain circumstances, to the passing on of this know-how to our competitors if we lose staff to such competitors. A shortage of skilled personnel can also lead to difficulties in the pursuit of future planned projects. While all employees are bound to general confidentiality imposed by their employment contracts and our code of conduct, we cannot exclude that some employees may not abide by the terms of such confidentiality obligations or agreements. Certain employees may access restricted information which could result in a loss of business secrets, if these are passed on to others.

If one or more of these personnel related risks materialize, this could have material adverse effects on our business, results of operations, financial position, cash flows and prospects.

1.3.12. We are exposed to the risk of rising labor costs which might negatively affect our profitability.

Personnel expenses represent a significant portion of our cost base. Future increases of statutory minimum wages and general wage levels, both in Germany and abroad, may impact our cost base both directly or indirectly (if, for example, higher wage levels impact the overall cost structure of our suppliers and such suppliers pass on the increased costs or a portion thereof on to us).

In particular, salaries in certain countries in which we operate, such as China, India and Russia, have historically been significantly lower than salaries in the more economically developed countries for similarly skilled employees, although salaries in such emerging markets have increased significantly in recent years. If salaries in these regions continue to increase, our margins could be reduced, unless we are able to continue to increase the efficiency and productivity of our employees in line with, or at a faster rate than, the rate of their salary increases.

Futhermore, we may not be able to to secure competitive wage levels for our retail business which have historically been significantly higher for Real as compared to certain other retailers in Germany. We have been able to agree on a tariff agreement (*Zukunftstarifvertrag*) with ver.di, a German trade union, in 2016 including the general recognition of regional collective bargaining agreements in the retail sector, the suspension of tariff increases between 2015 and 2017, as well as reduced vacation and Christmas allowances between 2016 and 2019 and a timeframe for further negotiations on a long-term tariff agreement. In exchange, Real committed to an aggregate investment and other measures to improve store quality of EUR 1 billion over five years, to safeguard hypermarkets and employment and not to increase base salaries for executive employees between 2015 and 2019. We are currently in negotiations with ver.di about a long-term solution to secure competitive wage levels for Real. We believe securing competitive wage levels to be particularly crucial in connection with the new “food lover’s” concept (which places a particular emphasis on complementary services that tend to be labor intensive) currently being assessed for further roll-out at Real. However, if we fail to agree with ver.di on a long-term tariff agreement (at all, within the anticipated timeframe) or if we are unable to achieve the desired results, we may be unable to sustainably secure or improve the profitability of our retail business due to disadventageous structures of its personnel costs and we may be required to consider alternative options (including a potential divestment of the Real business in part or in full).

As a consequence, if we are not successful in limiting such increases in personnel costs or if cost increases cannot be passed on to our customers, or only with a delay, this could have material adverse effects on our business, results of operations, financial position, cash flows and prospects.

1.3.13. Any deterioration of our relationships with our employees, the trade unions and employee representatives may result in a material adverse effect on our business, and work stoppages, strikes or other collective actions might negatively affect our profitability.

We are dependent on good relationships with our employees, works councils, trade unions and other stakeholders, and our relationships with our employees and their trade unions could deteriorate. We could face strikes or other types of conflicts with trade unions or our employees in the future as we have experienced in individual cases in the recent past, in particular, in Germany, but also in individual other countries. For example, following our announcement that Real leaves the regional collective agreements in 2015, some strikes and work stoppages were organized and realized at Real. We have also experienced a couple of token strikes at certain of our hypermarkets in the recent past, in particular, in connection with the negotiations between the regional entities of Handelsverband Deutschland e.V. and ver.di of a tariff agreement. There can be no assurance that we will not experience a material work stoppage, strike or other collective action in the future, in particular, in case the above mentioned ongoing negotiations of a long-term tariff agreement prove difficult.

Moreover, we may also be indirectly affected by strikes affecting our suppliers (which, in particular in case of prolonged strikes, may result in disruptions of our supply chain).

Any such actions may disrupt our sales activities and adversely affect our customer relations and operational results and could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.14. The variety of payment methods that we accept, including credit and debit card payment, the large volume of cash transactions as well as our product assortment exposes us to operational risks and risks of theft, robbery, negligence and/or fraud.

We currently offer different payment methods tailored to meet our local customers' payment preferences, both in our brick and mortar warehouses and hypermarkets and digital platforms including cash, credit and debit card, gift cards, PayPal, direct deposit, online bank transfer, direct debit and checks.

Due to the nature of our wholesale and retail businesses we process a large volume of cash transactions in our operations. Therefore, we are exposed to the risk of petty theft, robbery, negligence and/or embezzlement, which, if substantial in the aggregate, could have an adverse effect on our business, results of operations, financial position, cash flows and prospects. These risks also include shoplifting (particularly since our product assortment includes large value small size products such as small electrical appliances), robbery, employee theft or fraud, customer fraud and third-party service provider theft or fraud.

Purchases made using credit or debit cards account for a large proportion of our sales. We rely on third-party service providers for the processing of such payments, and we pay interchange and other fees for this service. These fees are typically calculated as a percentage of the purchase amount and may increase over time and cause our operating expenses to rise. In addition, if such service providers experience disruptions, system failures or other events which render them unable to process bank card payments, our sales could be materially adversely affected. Disruptions affecting other financial institutions or intermediaries that process our customers' credit or debit card transactions (such as, for example, a customer's credit card issuing bank) could also have a negative impact on our business.

Furthermore, customers may claim that purchases or payments were not properly authorized or were transmitted in error. We also face the risk that customers may have insufficient funds, and of various types of fraud. While we have implemented fraud detection systems, any failure to avoid or limit losses from fraudulent transactions could damage our reputation and result in

increased expenses and fees. In case of repeated fraud events relating to credit card transactions, we could, in addition to the direct losses, also lose the right to accept credit cards for payment and, potentially, credit and debit card providers could cease payments to us for purchases already made. For example, under German law but also in a number of other jurisdictions, the risk of an invalid transfer instruction by a customer, and thus the risk of abuse, lies generally with the wholesaler/retailer. Therefore, we could be liable for fraudulent credit card transactions. In the case of invoicing, we also carry a risk of non-payment of invoices by the customer, for example, due to lack of funds, despite the implementation of monitoring systems.

We also face the risk of operational failures during the checkout process in our digital platforms. This results from the complexity of certain payment methods. Such difficulties could adversely affect our conversion rate, which is the proportion of site visitors that actually complete the purchasing process.

Any of these risks in relation to the payment methods that we accept, and from negligent or fraudulent behavior, could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.15. Risks arise for our business from potential counterparty default.

As a consequence of our business operations, we are often owed significant amounts of money by numerous counterparties, including suppliers but also certain customers to whom we, to a certain extent, may offer credit. In addition, we frequently hold significant cash balances on deposit with financial institutions or have it invested on a short-term basis.

These contractual arrangements, deposits and other financial instruments give rise to credit risk on amounts due from such counterparties. In particular, during the financial crisis and the subsequent economic downturn, we were increasingly exposed to payment delays and the default of counterparties, including financial institutions, suppliers and customers with bad debts. This may continue to be the case if the economic conditions do not improve or worsen. As a result of such economic conditions and other factors or events, some of our counterparties, including customers, may, from time to time, have difficulties making the required payments to us in full or on a timely basis.

Furthermore, a counterparty default as result of, for example, supplier insolvency, can lead to significant delays in delivery of our essential items or performance of services, cost overruns, or other critical failures, which could adversely affect our business. See also *1.3.1. "— Increases in prices charged by food and non-food suppliers, limitations in the availability of products or loss of any key suppliers or procurement partners may have a material adverse effect on our profitability if we are unable to pass on such increases to customers or timely obtain adequate alternative supplies."*.

If we lease or sub-lease a property or parts of a property (such as dedicated selling space for shop-in-shop concepts or leases of entire premises) to third parties, we face the risk that such a lease or sub-lease may not be commercially viable (as we may incur higher costs for the leased space than our lease income) or that we lose rental income, for example, due to the (potential) insolvency of third-party tenants. For example, in the recent past, we had to agree to certain rent reductions for Praktiker Poland, one of our larger tenants, who was encountering certain economic difficulties at that time and has since filed for restructuring insolvency in October 2016. We also cannot exclude that other tenants may also become illiquid or insolvent, as we have seen in the past with respect to some of our tenants, as a consequence of which we may lose rental income.

Also, we have in certain cases provided lease guarantees to the lessors of properties that form part of our business which we divested to third parties. These lease guarantees give rise to certain risks, in particular, if the respective tenant of such properties defaults. For example, two lessors of Real in Turkey have claimed unpaid rents based on a corporate guarantee. As a consequence, we may be subject to payment obligations in case of guarantees issued by us in favor of such lessors. Similarly, we are exposed to risks from lease guarantees given in connection with the divestment of Praktiker Poland. While we have recognized provisions in this regard, the risk remains that these may prove insufficient to cover potential losses suffered in case the abovementioned lease guarantees take effect.

Any such default or delay could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.3.16. Our insurance may not be sufficient to cover all risks associated with the operation of our business.

We have taken out insurance policies in relation to a number of risks associated with our business activities. Our main insurance policies are placed as global coverage and include, *inter alia*, general and property damage, business interruption, terrorism, liability including product liability, environmental liability, loss of business income, and specific transportation risks. Our insurance policies are subject to customary exclusions, limits and deductibles. At the same time, we have identified several risks that cannot be insured on economically feasible terms and for which, therefore, no insurance cover has been purchased. These risks include, among other risks, acts of war or certain cyber breaches and nuclear catastrophes.

Our insurance coverage may turn out to be inadequate in certain situations or we may be involved in disputes with an insurer over whether a certain incident is covered or not. We may therefore also incur losses or be subject to claims that exceed the type, scope or amount of our existing insurance coverage. Furthermore, our insurance coverage may not continue to be available on commercially reasonable terms or at all and our insurance carriers may not have sufficient funds to cover all potential claims. Furthermore, for example, following a number of claims or after one major claim, insurers may increase the insurance premiums or the terms and conditions of the insurance coverage may become less favorable than at present. This may also occur following a general change in the insurance markets.

Any of these factors or the development or materialization of any such insurance related risk may result in a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.4. Risks Related to our Financial Profile

1.4.1. We face risks associated with our indebtedness and financing needs, including the risks of higher interest payments and the need to refinance our business operations, in particular, in case of any potential change in our credit rating, and may not be able to generate sufficient cash to service such indebtedness.

In accordance with the stipulations of the Demerger Agreement (as defined below), METRO AG's entire Net Indebtedness (calculated as borrowings including finance leases less cash and cash equivalents and short-term financial investments) was attributed to the MWFS Group insofar as it did not directly concern investments of the CE Group at METRO AG (the "**Existing Shareholder**" which is expected to change its name to CECONOMY AG). As of March 31, 2017, our Net Indebtedness amounted to EUR 3,902 million and our borrowings (including current and non-current) amounted to EUR 5,168 million.

Our cash flow from operating activities may not be sufficient to repay all of the outstanding debt, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance the debt. The significant amount of debt that we carry may limit our flexibility to respond to future events and could have a material adverse effect on our business, financial position, operating results and prospects. Furthermore, our actual and future cash requirements may be higher than currently expected.

The ability to repay or refinance maturities depends on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control. We cannot guarantee that our business will generate sufficient cash flow from operating activities, that the cost savings, sales growth and operating improvements currently anticipated will be realized, or that future debt and equity financing will be available to us on satisfactory terms or at all in an amount sufficient to enable us to pay our debts when due, or to fund our other liquidity needs. The amount of debt that we intend to incur could significantly affect us and our investors. We may be required to use a substantial portion of our cash flows from operations to make interest payments on this debt, which in turn reduces the cash flows available to fund capital expenditures and other corporate purposes, to grow our business or to pay dividends.

In addition, our interest expense is significantly impacted by the volatility of interest rates. Interest rates are sensitive to many factors beyond our control, including the policies of the European Central Bank and central banks of other jurisdictions, domestic and international economic conditions and political factors. There can be no assurance that we will be able to protect ourselves from adverse effects of future interest rate fluctuations. Any fluctuations in market interest rates could lead to an increase in our interest expense, and consequently have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

Furthermore, a downgrade of our credit rating could have a negative impact on our liquidity and group financing. In particular, any failure to achieve and/or maintain an investment grade credit rating could materially affect our ability to refinance our business operations. Due to the Demerger, the previous investment grade rating of METRO Group (as defined below) will not automatically continue to exist. We endeavor, so as to continue to be able to obtain favorable financing terms, that after the Demerger we will meet the requirements for an investment grade rating, and have achieved a preliminary solicited long-term credit rating of "BBB-/A-3" from S&P Global Ratings which recently has been provisionally confirmed and extended (whereas Moody's Investors Service, Inc. has preliminarily announced a prospective unsolicited long-term credit rating of "Ba1" for MWFS). If we fail to procure upon completion of the Demerger or maintain an investment grade rating, our ability to cover our financing needs at the financial markets may be impaired and, thus, could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

In addition, as a consequence of a downgrade of our credit rating, we could be required to collateralize certain obligations, including by providing bank guarantees or cash collateral in cases where we are currently not required to provide such collateral or have issued, for example, parent guarantees, comfort letters or similar instruments. In addition, future debt costs could increase, in particular, in case of a rating downgrade, and thus restrict our future access to debt financing, limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise. This could also limit our flexibility in planning for, or reacting to, changes in our business and the industry.

The realization of any of these financing and rating related risks could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.4.2. Our indebtedness or the enforcement of certain provisions of our financing arrangements could have a material adverse effect on our business.

Our financing is based on two syndicated revolving credit facility agreements (each a "**Revolving Facility Agreement**" and, collectively, the "**Revolving Facility Agreements**"), promissory note loans (*Schuldscheindarlehen*), bilateral loans, as well as bonds issued by MWFS AG and METRO Finance B.V., a subsidiary of MWFS AG following the completion of the Demerger. The Revolving Facility Agreements were originally entered into by the Existing Shareholder, as borrower, with separate syndicates of international banks. With effect from the registration of the Hive-Down with the commercial register of the Existing Shareholder, METRO AG, the Revolving Facility Agreements will be amended and restated and MWFS AG will be borrower. The Revolving Facility Agreements provide that the lenders may terminate the agreement if MWFS AG fails to pay interest or principal when due (subject to a number of qualifications and exceptions) or upon any other event of default (including breach of obligations). Under certain circumstances, the occurrence of a change of control may result in any lender having the right to cancel its commitment. Should more than two thirds of the total commitments be cancelled following a change of control, all commitments will be cancelled and all outstanding loans will have to be repaid no later than 30 days after the agent's notification to the borrower. If the lenders rely on such provision to accelerate repayments of any debt owed by us, this could have a material adverse effect on our financial position.

Our Revolving Facility Agreements, promissory note loans (*Schuldscheindarlehen*), bilateral loans and our bonds contain customary covenants which restrict our operational flexibility. In addition, our indebtedness could, among other things, potentially (a) limit our ability to obtain additional financing; (b) limit our flexibility in planning for, or reacting to, changes in the markets in which we compete; (c) place us at a competitive disadvantage relative to our

competitors with less indebtedness; (d) render us more vulnerable to general adverse economic and market conditions; or (e) require us to dedicate a significant portion of our cash flow to service our debt.

Our ability to make payments on our debt depends upon our ability to maintain our operating performance at a certain level, which is subject to general economic and market conditions and financial, business and other factors, many of which we cannot control. If our cash flow from operating activities is insufficient to service our debt, we could be forced to take certain actions, including delaying or reducing capital or other expenditures; selling assets or operations; reducing or prohibiting dividend payments or seeking additional equity capital. We might be unable to take any of these actions on favorable terms, in a timely manner or at all. Such actions could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.4.3. Our results of operations may be adversely affected by currency fluctuations.

We are exposed to fluctuations in currency exchange rates. Our functional and reporting currency is the Euro. In general, we distinguish two types of currency risks. On the one hand, transactional risks consist of value fluctuations of foreign currency payments or payments of amounts which depend indirectly on a foreign currency. The devaluation of the relevant foreign currency reduces the equivalent value in the domestic currency of incoming foreign cash flows, while an appreciation increases the domestic equivalent of outgoing cash flows. Transactional risks relate to planned or contracted foreign currency payments, investments (dividends and capital changes involving an unsecured translation risk) and contracted financing transactions. On the other hand, translation risks arise from value fluctuations of consolidated net assets, *i.e.*, from the conversion of the net assets of consolidated subsidiaries which are held in foreign currency.

In the last three financial years, we generated a significant part of our sales and costs in a number of non-euro currencies, such as Chinese Renminbi, Russian Ruble, Kazakhstani Tenge, Ukrainian Hryvnia and Turkish Lira. Due to the expansion of our regional footprint, we expect the share of our sales and costs in non-euro currencies to increase. Furthermore, we sell imported food and non-food products as well as purchase various imported merchandise given that a substantial proportion of our products are purchased from representatives of large international producers or suppliers. In the event of a depreciation of the respective currencies of the countries in which we operate, the cost of our imported products and equipment may increase and we may be unable to pass all or some of product cost increases to our customers without negatively affecting our sales and profitability. Consequently, further depreciation of the currency of a country in which we generate a significant share of our sales against foreign currencies may lead to an increase in our expenses in local currency terms and slow our sales growth, therefore negatively affecting our results of operations.

Exchange rate fluctuations also affect the translated value of balance sheet and income statement positions of our Group companies outside the Eurozone, which are denominated in the relevant national currency, predominantly in Chinese Renminbi and Russian Ruble. These positions must be converted into Euro in connection with the preparation of our consolidated financial statements. As a result, exchange losses may arise due to this conversion (so-called translation risk). For example, in the last financial years, our sales reported in Euro were significantly negatively impacted by exchange rate developments which related predominantly to the continued depreciation of the Russian Ruble, Kazakhstani Tenge, Ukrainian Hryvnia and Turkish Lira against the Euro. For example, when using constant exchange rates as of September 30, 2016 for both our financial years 2015/2016 and 2014/2015, our sales in 2014/2015 would have been EUR 803 million lower than reported.

Certain currency risks are covered by natural hedges, and we manage short- and medium-term exchange rate fluctuations through hedging transactions by entering into swap, currency forward or option agreements covering our expected exposure to currency exchange rate risks for at least one year. We also require our subsidiaries to follow standardized group procedures, limits and guidelines. Risks from translation remain unhedged, since we are pursuing a long-term investment strategy. The exposure to foreign currency exchange volatility and failure to adequately hedge the related risks could have a material adverse effect on our results of operations and financial position.

The realization of any of these currency related risks could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.4.4. Any write-downs or impairments on our assets, including goodwill and real estate, may have a material negative effect on our results of operations, financial position and cash flows as well as our ability to pay dividends.

We are active in an industry that requires significant investments, in particular, in the construction, ramp-up, operation and maintenance of our wholesale warehouses and retail hypermarkets, including corresponding properties, logistics facilities and IT infrastructure. Any such property, plant and equipment associated with our operations and recorded on our balance sheet, as well as the existing intangible assets, including goodwill, make us susceptible to impairments.

As of September 30, 2016, property, plant and equipment recorded on the combined balance sheet amounted to EUR 6,979 million, while goodwill amounted to EUR 852 million and other intangibles totaled EUR 420 million. Assets with a determined useful life are amortized on a straight-line basis. A quantitative impairment test is performed if there is an indication of possible impairment. Goodwill is quantitatively tested for impairment on an annual basis or if there is an indication of possible impairment. If the carrying amount of an asset or cash generating unit is not recoverable, impairment losses may be recorded in accordance with applicable accounting standards, in particular, IAS 36. Impairment charges could become necessary in the future if, for example, our prospects deteriorate such that the carrying amounts of our assets are no longer recoverable under applicable Group or statutory accounting rules, in particular, IAS 36.

Goodwill and purchase price adjustments resulting from the historical acquisition of companies of the MWFS Group by the Existing Shareholder were disregarded in the amounts recognized according to IFRS 1 (First-Time Adoption of International Financial Reporting Standards ("**IFRS**")) in the Combined Financial Statements. Depreciation / amortization / impairment losses on disregarded goodwill and property, plant and equipment have therefore also been disregarded in the Combined Financial Statements. Such disregarded impairment losses included, for example, impairment charges on goodwill of approximately EUR 446 million related to Real in the financial year 2014/2015 as shown in the respective consolidated financial statements of the METRO Group.

Due to various reasons, including the potential deterioration of our prospects, as well as the use of valuation options, judgments and estimates, the possibility of future write-downs and impairments cannot be excluded. Besides write-downs and impairments regarding our future consolidated financial statements, we may also face the risk of write-downs and impairments on the level of our unconsolidated financial statements prepared in accordance with German GAAP (in particular, as the book value of participations has been increased during the course of the legal restructuring in connection with the Demerger) which could impair our ability to pay dividends. For example, the value of the carrying amounts for our subsidiaries in our unconsolidated financial statements is based on certain valuations and assumptions which are subject to regular impairment testing depending, among others, on the market capitalization of the Group following the Listing (as defined below).

Any impairment test requiring a write-down or additional impairment could have a material adverse effect on our business, results of operations, financial position and cash flows as well as on our ability to pay dividends.

1.4.5. We have obligations to our employees relating to retirement and other obligations, the calculations of which are based on a number of assumptions, including discount rates, life expectancies and rates of increase in compensation levels, which may differ from actual rates in the future.

We operate both defined benefit pension schemes and defined contribution schemes for beneficiaries under arrangements that have been established in Germany and certain countries in which we offer employee pension benefits including the Netherlands, the United Kingdom (related to our previous wholesale activities which we divested to Booker Group PLC) and

Belgium. The granting of defined benefit pension entitlements exposes us 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.

Only part of our pension obligations are covered by fund assets. The remainder of these obligations is unfunded. Concerning the unfunded part of our pension obligations, we had provisions for post-employment benefits plans and similar obligations amounting to EUR 646 million as of September 30, 2016. We recognized provisions to the extent that the funded plans are not fully funded. Our defined benefit obligations are based on certain actuarial assumptions that can vary by country, including discount rates, life expectancies and rates of increase in compensation levels. With respect to our defined benefit pension schemes, we bear the longevity risk as well as the interest rate risk.

A change in actuarial assumptions regarding, for example, discount rates, changes in salaries and pension levels, life expectancies or staff turnover, could lead to an increase in our pension liabilities and to additional provisioning. Changes in all assumptions or under-performance of plan assets could also adversely affect our financial position and results of operations. Differences between the discount rate and actual returns on plan assets can require us to record additional re-measurements. Future declines in the value of plan assets or lower-than-expected returns may require us to make additional current cash payments to pension plans. The sensitivity analysis as of September 30, 2016 showed that, for example, a decrease in the actuarial interest rate by 100 basis points would increase our obligations related to defined benefit plans by EUR 303 million. An increase in inflation by 25 basis points would result in an increase of EUR 35 million in our obligations related to defined benefit plans. Furthermore, expenses for payments to external pension providers relating to defined contribution pension commitments (including social security) amounted to EUR 167 million in the financial year 2015/2016.

Furthermore, the legal conditions governing our pension obligations are subject to changes in applicable legislation or case law. For example, IAS 19 (revised), relating to employee benefits, eliminated the so-called corridor approach and mandates the recognition of all actuarial gains and losses directly in "other comprehensive income" as they occur. We cannot provide any assurance that we will not in the future incur new or more extensive pension obligations due to changes in such legislation and case law, or that such changes will not have an impact on our previous calculations with respect to our pension obligations. Moreover, future amendments to accounting standards may affect our pension obligations. Should this be the case, this could have a material adverse effect on our financial position and results of operations.

Any of these factors and developments, particularly material changes in the actuarial assumptions, may have a significant adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.4.6. The Company's ability to pay dividends will depend in part on the distribution or transfer of profits from its subsidiaries and on our debt covenants.

In accordance with German stock corporation law, the general shareholders' meeting decides on the payment of dividends on the recommendation of the Management Board and the Supervisory Board. The Company's ability to distribute dividends in the future will, among other things, depend on the Company´s ability to generate profits, its results of operations and financing and investment needs, as well as the availability of a distributable profit or distributable reserves. Any write-downs or impairments on our assets, including goodwill and real estate, may have a material negative effect on our ability to pay dividends, see also *1.4.4 "— Any write-downs or impairments on our assets, including goodwill and real estate, may have a material negative effect on our results of operations, financial position and cash flows as well as our ability to pay dividends."*.

The decision on the payment of dividends is based on the balance sheet profit, as determined for the Company on a standalone basis in accordance with the German Commercial Code (*Handelsgesetzbuch*) and the German Stock Corporation Act (*Aktiengesetz*). In order to determine the balance sheet profit available for distribution, the annual financial profit or loss must be adjusted with the profit/loss carried forward from the previous year as well as any withdrawals or contributions made to the reserves.

Because the Company conducts its operational business through its subsidiaries and affiliates, its ability to pay dividends depends substantially on the ability of its operating subsidiaries to generate income and transfer profits. In addition, the Group's existing financing agreements include and the future financing agreements may include financial covenants that may indirectly restrict the amount of cash available for the payment of dividends. We can make no predictions as to the size of future profits available for distribution, or whether distributable profits will be achieved at all, and hence we cannot guarantee that dividends will be paid in the future.

1.5. Legal, Regulatory and Tax Risks

1.5.1. Failure to comply with existing governmental regulations could result in the closure of facilities, the imposition of substantial penalties and/or additional costs and our risk management and internal controls may not prevent or detect violations of law, and compliance breaches.

Our operations and properties are subject to various laws and regulations in the countries in which we operate. We, our management and our employees have to comply with various laws, regulations and rules with respect to, among other things, antitrust matters, exchange controls, arrangements with suppliers, sales of alcohol and tobacco products, anti-corruption / anti-bribery and sanctions legislation, quality standards, construction, health and safety, sanitary rules and consumer protection. Similarly, in operating our business we have to comply with any conditions attaching to our operating licenses, including in certain countries a condition that we only sell our products to B2B customers (see also *1.5.2. "— We may also fail to fulfill the terms of our licenses, permits and other authorizations or fail to renew them on expiry or fail to obtain new licenses, permits and other authorizations that we may require."*). Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and rules, the issuance and renewal of permits and in monitoring compliance with their terms, in particular, in those countries in which we operate which have less stable political, legal and regulatory regimes which may lead to inconsistent enforcement of laws and regulations. In addition, some of our suppliers and customers operate in countries which have business environments, legal systems and political and cultural influences different to those which prevail in Western Europe, which may lead to adverse tax consequences, greater difficulties in enforcing intellectual property rights, increased compliance costs and difficulties associated with ensuring compliance across our international operations. For example, we may also face risks from an (involuntary) participation in fraudulent value added tax ("**VAT**") schemes with third parties, in particular, arising from multi-jurisdictional trading, as has been seen in the past, for example, in Hungary. We also have limited influence over the day-to-day operations of our suppliers and other partners. All these circumstances inherently create a risk that applicable laws and regulations may be breached.

Any failure to comply with existing or new laws, regulations or rules may result in the imposition of sanctions (including civil and administrative penalties applicable to the relevant member of the Group, and criminal and administrative penalties applicable to our managers), and/or we may be required to cease certain of our business activities and to remedy past infringements.

Our existing compliance processes and controls may not be sufficient and may not have been sufficient in the past in order to prevent or detect inadequate practices, fraud and violations of law by employees, suppliers and other partners. Representatives, employees, suppliers and other partners may not act in compliance with applicable laws or regulations (including, among others, competition regulation, customs regulations, anti-corruption/anti-bribery and sanctions legislation, data protection laws and labor and social security laws and regulations) and internal guidelines (including our procurement, production and sales guidelines). We may therefore face the risk that penalties or liabilities may be imposed on us or that our business can be adversely affected. In addition, our compliance system and monitoring capabilities may not be sufficient to prevent violations of legal provisions and internal guidelines, to identify past violations or prevent damages from fraud or similar crimes in the Group.

Inappropriate behavior or any compliance breaches could lead to legal proceedings against us, fines, sanctions, court orders affecting future conduct, forfeiture of profits, rescission of existing

contracts, exclusion from certain businesses, loss of licenses and certifications or other restrictions. These, in turn, might limit our ability to pursue strategic measures and transactions important for the business.

Furthermore, involvement in potential non-compliance proceedings and investigations could harm our reputation and that of our management, lead to the loss of customers and have a negative impact on our brands and on our efforts to compete for new customers. Customers and/or third parties could also initiate legal proceedings against us for substantial financial compensations.

The realization of any of these compliance related risks may have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.5.2. We may fail to fulfill the terms of our licenses, permits and other authorizations and/or fail to renew them on expiry or fail to obtain new licenses, permits and other authorizations that we may require.

We are required to obtain, maintain and renew licenses, approvals, certifications, permits, exemptions, dispensations and other authorizations (collectively, "**licenses**"), including operating licenses, licenses relating to health and safety, certain construction activities, packaging, labeling, environmental standards, distribution standards and the sale and storage of tobacco and alcohol. The necessary application, validation and certification processes are often complex, time-consuming, lengthy and costly, and may be influenced by factors that are beyond our control.

Our licenses contain various requirements that must be complied with to keep these licenses valid, including in particular, the requirement in some countries that we only sell our products to B2B customers. Furthermore, we cannot be certain that any given license will be deemed sufficient by the relevant governmental authorities to fully cover our current activities conducted in reliance on such a license. Some of the license terms may be subject to arbitrary interpretation by the authorities. Also, the issuance of new, and the renewal of existing, licenses is often subject to a considerable discretion by the authorities. If we fail to meet the terms of our licenses necessary for our operations or to renew them on expiry, then these licenses may be suspended, terminated or expire. This could lead to the temporary or potentially permanent closing of our facilities covered by the relevant licenses, temporary or potentially permanent suspension of construction activities or other adverse consequences. In addition, an inability to obtain new licenses that we may require may adversely impact our expansion plans.

Furthermore, the authorities may introduce new requirements relating to maintenance and renewal of licenses. For example, new regulatory requirements may be introduced in relation to the sale and storage of alcohol, as a result of which we may need to make investments to comply with the new requirements. Also, accidents at work could result in the suspension or revocation of certain licenses.

In addition, licenses currently held by entities of the Group may be challenged in court by third parties, which may lead to their revocation or operating restrictions.

Any or all of these factors may adversely affect our ability to maintain, renew or obtain necessary licenses. If we are unable to maintain, renew or obtain these, or are only able to do so on unfavorable terms, it could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.5.3. Increased governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety or trade could negatively affect our sales, profits and financial position in different ways.

Our operations are subject to a wide range of legislation and regulations, *inter alia*, including those regarding data protection, shop closing times, product safety and liability or the protection of the environment or health and safety. Examples of regulated issues include employee health and safety, the discharges from our business to the environment and consumer protection. Certain of the products that we sell, such as tobacco and alcohol, are

also subject to extensive regulation, and any further modification to existing legislation or regulation or the introduction of new legislative or regulatory initiatives may affect the market for such products. In addition, the cost and the effect of complying with such modified or new legislation or regulation may have an adverse effect on our business model and results of operations. Any new regulations, legislative amendments, changes in interpretation of existing legislation, other regulatory changes, court decisions or imposition of additional requirements or sanctions may also further restrict our ability to conduct our operations or to do so profitably. Regulatory changes could furthermore adversely impact our ability to continue to obtain trade financing from our suppliers, and, as a result, we may need to make alternative financing arrangements which could be more expensive. Changes in the regulatory environment could also result in challenges to our card business model. Regulatory changes are impacting and could in the future further impact our freedom of contract in other ways. For example, new regulations relating to supply agreements were recently introduced in Russia in July 2016 (with an additional transition period of six months) limiting, *inter alia*, commercial income such as contractual bonuses and terms of supplier credit. Similar regulations which limit or potentially limit, for example, our right to agree with suppliers on payment of bonuses or service charges, as well as payment terms, or which impose or may impose special retail taxes, to have a minimum of local food products on our shelves or other measures limiting our freedom to trade are currently under discussion or have already been passed in other countries in which we operate, especially in Eastern Europe such as Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Ukraine, Romania and Slovakia, but also in other countries such as Germany. For example, the Czech Republic considers introducing a "marketing fund" for "sensitive raw materials" such as meat, eggs or milk with the aim of promoting Czech products. Other planned legislation in Hungary includes for example a cap on advertising costs to 0.5% of the net income, a minimum number of sales persons or restrictions on the sale of multipacks. Romania, for example, implemented legislation obliging large retailers to promote Romanian products and to source 51% of food and agricultural products from the "short supply chain", meaning such products have to be provided by regional or national suppliers. Stricter enforcement of competition laws can also be seen in other countries, such as Germany, where competition laws was recently revised. Such regulatory measures or discussions follow a broader regulatory trend both on national levels, as well as on the level of the European Union in this respect which might further accelerate in the future. This may have a significant impact on the way we traditionally contract with our suppliers and operate our business and may, as a consequence, result, among others, in a loss of income and higher costs. In addition, the significant impact which these or similar regulations may have on our procurement procedures may in turn require the implementation and execution of complex change processes in our respective regional organizations.

Furthermore, in 2013, the international accounting standards board (IASB) issued a newly revised leasing accounting standard (IFRS 16) which will replace the currently applicable IAS 17. We lease a substantial part of our facilities. The major part of these leases has been classified as operating leases and were recorded off-balance sheet with the associated rent being recorded as selling expenses in our combined income statement. According to the new leasing accounting standard, with only selected exceptions of short-term leases and the leasing of assets with low value, all leases are to be recognized on the balance sheet of the lessee. Accordingly, regardless of economic ownership of the leased asset, the lessee must capitalize a right of use for the asset and recognize a corresponding liability in the amount of the present value of the binding lease payments. In October 2015, the IASB tentatively decided that the mandatory application date of the new lease accounting standard would be for annual periods beginning on or after January 1, 2019. Such an application would affect our reported results as of the financial year beginning October 1, 2019 with a restatement of comparative periods. The implementation of this new standard is expected to have a material effect on our results of operations and, in particular, on our financial position. While the change would not affect the cash flows related to our leased facilities, it would have a significant impact on our financial statement, including a decrease in selling expenses and an increase of our balance sheet total and the annual depreciable amount. Factors such as the average lease term could cause year-on-year fluctuations in the aforementioned effects which consequently could have a material effect on our results of operations.

Furthermore, the introduction of any new or more stringent laws, regulations, licenses, approvals, certifications, exemptions and dispensations requirements relevant to our business

operations may require significant additional investments and maintenance costs to fulfill new regulatory requirements, preclude us from continuing with our existing operations or some areas of our business activities or limit or preclude us from expanding our business and, thus, have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.5.4. Introduction of import bans or imposition of, or increases in, customs duties, tariffs or other sanctions could have an adverse impact on our business.

We import a wide variety of food and non-food products and purchase large volumes of imported products from distributors and suppliers. Government authorities in certain jurisdictions have from time to time imposed import bans or other restrictions on the movement of goods for certain products or product categories. For example, in recent years and independent of the continuing sanctions and other measures in connection with the Russian/Ukrainian conflict (for the Russian/Ukrainian conflict see also *1.1.2. "— Risks Related to the General Economic Environment, the Sectors and the Regional Markets in Which We Operate — We generate the largest share of our revenues in Europe – in particular, in the Eurozone and Germany – and may therefore be more affected than our non-European competitors in case of a prolonged economic downturn and high volatility in the financial or other markets in Europe, or by current and future geopolitical crises and upheavals such as the "Brexit" vote, the continuing sanctions and other measures in connection with the Russian/Ukrainian conflict or the political situation in Turkey."*), temporary import bans were imposed by Russian authorities on beef from Australia, pork meat from the European Union, processed pork meat products from ten meat processing plants in Brazil, dairy products from Lithuania, wines from Georgia, certain chocolate products made in Ukraine and other imported products. These and other governmental measures, such as capital regulatory changes, may adversely affect our ability to operate and finance local businesses and to profitably use our selling space and premises.

Furthermore, new or increased customs duties or tariffs on imported products may be imposed by government authorities, relevant administrative practices may change and administrative processes may become more complex, lengthy or cost-intensive, all of which may result in additional costs. In addition, import bans or the introduction of, or increases in, customs duties or tariffs may result in reduced product availability and higher product prices. This could in turn increase our costs and adversely affect our margins and net sales. In addition, if substitute products are not available on commercially acceptable terms or at all, our product assortment will become more limited. This may result in a decrease in our net sales and profitability. Additionally, when such bans are withdrawn, the prices of the formerly banned products may significantly decrease and result in margin losses on those products in stock which were purchased at a higher price.

In addition, we benefit from free-trade agreements, such as, for example, those which the European Union has concluded with various countries. Should such or other free-trade agreements be terminated, this may result in substantially higher procurement costs for our business.

Furthermore, we cannot rule out the possibility that our business activities are or may become subject to sanctions. We have taken steps to ensure that any activities undertaken by the Group will not be subject to sanctions. However, we cannot assure that, through inadvertence or otherwise, our activities might cause a member of the Group to become subject to penalties under U.S. or other sanctions. For example, we operate two warehouses in Crimea. We are currently supporting and intend to continue to support the operations of these two warehouses in Crimea through service and supply relationships and agreements. Pursuant to these agreements we are reimbursed for our costs, but if necessary due to sanctions we would be prepared to discontinue this support. While we are not currently aware of any applicable laws which would prohibit our business activities in the Crimean peninsula, we cannot predict the nature and scope of any future legislation or international sanctions which may impact business on the Crimean peninsula or our business generally.

The introduction of any import bans or imposition of, or increases in, customs duties, tariffs or other sanctions could have an adverse impact on our business, results of operations, financial position, cash flows and prospects.

1.5.5. We are subject to risks from disputes and administrative, legal and arbitration proceedings.

Individual companies of the Group are involved in passive and active out-of-court disputes, litigation and arbitration proceedings as well as administrative proceedings in the ordinary course of business or regarding the acquisition or divestiture of businesses and assets. Such proceedings mainly relate to civil law cases, including contract and lease law, and labor law cases, as well as potential infringements of antitrust or competition laws, for example, in the context of resale price setting, tax laws and claims by suppliers and other partners, particularly relating to later income and bonuses. Companies of the Group or our employees could be subject to investigations and could also become involved in criminal or civil proceedings which may involve substantial claims for damages or other liability, including labor disputes and civil damage claims by customers, claims by distributors and other partners, or claims in connection with past or future alleged violations of antitrust or competition laws.

In the event of a negative outcome of any material proceedings, whether based on a judgment, award or settlement, we could be obliged to make substantial payments. In addition, such proceedings can require management attention in the case of high-profile claims, and result in significant litigation and arbitration costs and harm our reputation (in some cases, regardless of the merits of the claim or the outcome of the proceedings). We have accrued provisions for potential losses resulting from pending proceedings where liability is sufficiently substantiated. However, the claims asserted against the Group may exceed the provisions considerably.

The realization of any such risks from disputes and administrative, legal and arbitration proceedings could have a significant adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.5.6. Any threat to, or impairment of, our intellectual property rights and know-how could cause us to incur costs to defend these rights and impair our ability to compete effectively, and any violation of third party intellectual property rights by us could result in liability for damages and litigation costs.

As wholesaler and retailer we rely on trademark protection to protect our brands. These protections may not adequately safeguard our intellectual property and we may incur significant costs to defend our intellectual property rights. This may adversely affect our results of operations. There is a risk that third parties, including our competitors, will infringe on our intellectual property rights, as has occurred in individual cases in the past, in which case we would have to defend these rights. There is also a risk that third parties, including our competitors, will seek to revoke our intellectual property rights, take legal action to have our intellectual property rights declared null and void, or demand an assignment of such rights. These third parties may bring infringement claims against us or our customers. Accordingly, we could be involved in lengthy and costly litigation to protect our intellectual property, as has occurred in individual cases in the past, the outcome of which cannot be predicted.

We may also decide to file further trademark applications in seeking to protect selected newly-developed brands or concepts, or apply for registration of existing brands in other relevant jurisdictions as part of an international expansion. We can, however, not be sure that such trademark registrations will be issued. There is also a risk that we could, by omission, fail to renew a trademark on a timely basis or that our competitors could challenge, invalidate or circumvent any existing or future trademarks issued to or licensed by us. In addition, even if a trademark has been duly registered, not using a trademark for a certain period of time (such as five years in the European Union) could render the trademark registration voidable. Moreover, expiry of intellectual property rights or the imposition of geographical restrictions could allow competitors to use our intellectual property rights in order to facilitate entry into a market or strengthen their position.

Our products may violate intellectual property rights, in particular, trademarks and design rights, of third parties. If we violate a third party's rights, we may be liable for damages as well as litigation costs, and could be obligated to withdraw goods already produced from the market or purchase a license to use such rights. The potential damages correspond to the amount of sales, which means that damages are higher for products sold more often. This may reduce our sales, erode margins or damage our reputation, any of which could have a material adverse effect on our business, financial position, cash flows and results of operations.

The realization of any of these risks may have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.5.7. We are subject to tax risks, and our tax burden could increase, or decrease less than envisaged, due to changes in tax laws or their application or interpretation, or as a result of current or future tax audits or increases in tax rates.

Our tax burden is dependent on tax laws across several different jurisdictions and their application and interpretation. Tax laws and administrative guidance (relating, *inter alia*, to their interpretation or application) might be subject to change, possibly with retroactive or retrospective effect. Changes in tax laws, their interpretation or application or the amount of taxes imposed on Group companies could increase our future tax burden. For example, an additional VAT, the so called "supermarket tax" for large scale distributors was introduced in Poland as of September 1, 2016 (which, however, has been currently suspended) and which may lead to an additional tax burden for our operations in Poland. Similar or other planned changes in tax law which are currently being discussed or implemented in, *inter alia*, Hungary, India, Pakistan and Romania, may also lead to additional tax burdens. For additional information on prohibitive governmental measures including potential new regulations, see *1.5.3 "— Increased governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety or trade could negatively affect our sales, profits and financial position in different ways."*.

Because we operate in several jurisdictions, we are also exposed to tax risks. This applies, in particular, to the so-called transfer pricing rules applicable in several jurisdictions and in relation to cross border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any inter-company transactions on conditions which would also apply among unrelated third parties. This requires them to conclude agreements comparable to those between unrelated parties (so-called "at arm's length principle") and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. It cannot be excluded that we may face tax risks with respect to our new group-wide transfer pricing model which we have implemented with effect from the beginning of the financial year 2015/2016. In particular, we may not be able to realize anticipated tax savings or utilize deferred tax assets as expected through our new transfer pricing model. It is also possible that one or more foreign tax authorities might not agree with our implemented transfer pricing rules. This could lead to double taxation of parts of the charged transfer prices in the foreign country and in Germany, which can be avoided by a mutual agreement procedure between the tax authorities in the foreign country and Germany. The possibility that the tax authorities challenge our compliance with applicable transfer pricing rules cannot be ruled out. Furthermore, transfer pricing risks may increase in the future as intra-group cross-border business grows.

The Company and the other companies belonging to the MWFS Group are subject to periodic tax audits by the respective tax authorities or other review actions by the relevant financial or tax authorities. As a result of current or future tax audits or other reviews by the tax authorities, additional taxes (including withholding taxes, real estate transfer tax, capital duty and stamp duty) could be imposed on Group companies (for example, in connection with restructuring measures, transaction costs, refund of input VAT or intra-group pricing terms, tax deductibility of interest paid, or payroll tax). Also, original tax assessments could be revised or additional taxes, including interest and penalty payments or social security payments, could be imposed in relation to future or previous tax assessment periods. This could lead to an increase in our tax obligations, either as a result of the relevant tax payment being imposed directly on us or as a result of our becoming liable for the relevant tax as a secondary obligor following the primary obligor's (such as, for example, an employee) failure to pay. This may be due to an interpretation or view of laws or facts by tax authorities in a manner deviating from the Group's interpretation.

Furthermore, MWFS AG had corporation tax losses carried forward in an amount of approximately EUR 2.7 billion and trade tax losses carried forward in an amount of approximately EUR 2.9 billion as of September 30, 2016 which could be reduced, especially as a result of the Demerger or tax audits. For tax risks in connection with the Demerger, see

1.6.3. "— Risks Related to the Demerger and Separation of our Business from the METRO Group — In the Demerger and/or the preparation of the Demerger detrimental tax effects, including the loss of unutilized tax loss carry forward and interest carry forwards of MWFS AG and its subsidiaries as well as significant corporate income and trade taxes at the level of the Existing Shareholder (of which 75% would in principle be borne by the Company), could be caused.".

Also, we could fail to realize future tax benefits from deferred tax assets on tax loss carry forward and temporary differences which amounted to EUR 509 million after netting against offsetting effects for our Group, as of September 30, 2016. If those deferred tax assets would not be realized as expected, this could have a material adverse effect on our tax obligations and thus impair our profit or loss for the period after taxes.

The realization of any of these tax related risks could result in our tax rate not decreasing below 40% as targeted for the mid-term and have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.6. Risks Related to the Demerger and Separation of our Business from the METRO Group

1.6.1. We may not realize the anticipated benefits from the separation of our business from the METRO Group and such separation may lead to the loss of business opportunities and higher costs.

We may be unable to realize the expected benefits by separating from METRO AG (hereinafter, the "**Existing Shareholder**" or "**METRO AG**" and together with its direct and indirect subsidiaries the "**METRO Group**"). These benefits include, among others, our ability to focus on our own strategic and operational plans, a more efficient allocation of capital, a distinct investment identity and a better tailoring of internal procedures to the nature of our business. We expect that this should allow investors to evaluate the merits, performance and future prospects of the MWFS Group separately from the Existing Shareholder which shall remain the parent company of the consumer electronics business (hereinafter "**CE Business**") and change its name to "CECONOMY AG" (hereinafter together with its direct and indirect subsidiaries upon completion of the Demerger, the "**CE Group**").

We may not achieve these or other anticipated benefits for a variety of reasons. Following the transfer of the MWFS Business by way of a hive-down (*Ausgliederung zur Aufnahme*) as per Section 123 (3) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) against a consideration of approximately 1.0% of the shares in the Company (as will exist immediately after completion of the Demerger) to the Existing Shareholder, METRO AG, (the "**Hive-Down**") and spin-off for absorption (*Abspaltung zur Aufnahme*) as per Section 123 (2) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) against a consideration of approximately 90.0% of the shares in the Company (as will exist immediately after completion of the Demerger) to the shareholders of the Existing Shareholder, METRO AG, (the "**Spin-Off**") (the Hive-Down and Spin-Off together, the "**Demerger**"), we may incur higher costs due to a decline in our purchasing scale or bargaining power if we are unable to obtain other similar goods, works, services and licenses at prices or on terms as favorable as those obtained prior to the Demerger with the long-standing reputation, size and purchasing power of the two formerly combined businesses of the MWFS Group and the CE Group. In addition, the later stages of the separation will require significant amounts of management's time and effort, which may divert management attention away from our business. Furthermore, certain costs and liabilities that were otherwise less significant to the formerly combined businesses of the MWFS Group and the CE Group as a whole may be more significant to us as a stand-alone publicly listed entity. We may also be more susceptible to market fluctuations and other adverse events and the Group's business will be significantly less diversified than the combined businesses prior to the separation.

It can also not be ruled out that due to the division of METRO Group we may lose business opportunities that we previously may have enjoyed. We have historically been able to take advantage of the size and purchasing power of the two formerly combined businesses of the MWFS Group and the CE Group in procuring goods, technology, financing and other services, including insurance, pension plans, legal and audit services. Following completion of the

Demerger, we are a smaller and less diversified group. In addition, we are party to contracts, *inter alia*, regarding purchasing co-operations that contain so-called "change of control" clauses, termination or other rights in favor of the contracting third party. In case one or more contracts are to be terminated by virtue of "change of control" clauses or other termination rights, and we fail to conclude any follow-up or substitution agreements, this or the execution of other rights due to change of control may result in a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.6.2. In connection with or as a consequence of the Demerger, we face risks from claims, particularly pursuant to Section 133 of the German Transformation Act (*Umwandlungsgesetz*), according to which we would be jointly and severally liable for liabilities of the Existing Shareholder which come into existence before the Demerger is completed under certain conditions.

The Demerger is based on a hive-down and spin-off agreement (*Ausgliederungs- und Abspaltungsvertrag*) dated December 13, 2016 ("**Demerger Agreement**"), which was approved by the general shareholders' meeting of the Existing Shareholder on February 6, 2017 and by the general shareholders' meeting of MWFS AG on February 10, 2017.

Pursuant to Section 133 (1) and (3) of the German Transformation Act (*Umwandlungsgesetz*), the Company is jointly and severally liable (*gesamtschuldnerisch*) for all liabilities of the Existing Shareholder which come into existence before the Demerger is completed if (i) such liabilities become due before the expiry of five years after the Demerger and (ii) a claim against the Company is submitted to a court or established in another manner specified in Section 133 of the German Transformation Act (*Umwandlungsgesetz*). For retirement benefit obligations under the German Company Pension Act (*Betriebsrentengesetz*) the limitation period for the aforementioned joint and several liability will be extended to ten years. As a result, for example in case the Existing Shareholder fails to satisfy its creditors, we would have to make good on any unsatisfied obligations.

The Company's liability pursuant to Section 133 (1) and (3) of the German Transformation Act (*Umwandlungsgesetz*) is restricted to the liability of the Existing Shareholder only and does not apply to liabilities of the Existing Shareholder's subsidiaries. However, while the Company is not directly liable pursuant to Section 133 (1) and (3) of the German Transformation Act (*Umwandlungsgesetz*) for the losses of the Existing Shareholder's subsidiaries, the Existing Shareholder has entered into domination and profit and loss transfer agreements with certain of its German subsidiaries including, for example, METRO Kaufhaus und Fachmarkt Holding GmbH ("**MKFH**"), but excluding Media-Saturn-Holding GmbH ("**MSH**") which is the intermediate holding company of the MediaMarktSaturn Retail group, a consumer electronics retailer and provider of related services. Under these agreements the Existing Shareholder is obligated to absorb such losses which cannot be offset by the profits of other subsidiaries. Thus, the Company's joint and several liability extends also to the Existing Shareholder's obligation to absorb the losses of these subsidiaries.

In particular, the Existing Shareholder and MKFH have been involved in several legal (shareholder) disputes regarding MSH with Convergenta Invest GmbH which holds a minority interest of 21.62% in MSH (with the remaining 78.38% being indirectly owned by the Existing Shareholder). More specifically, Convergenta Invest GmbH has taken legal action against the formation of the advisory board of MSH, challenged various resolutions of the advisory board and shareholder resolutions of MSH, the management activities of Pieter Haas in MSH (currently a member of the management board of the Existing Shareholder and intended CEO of the Existing Shareholder after completion of the Demerger) as well as particular management measures and asserted claims for (alleged) damages against the managing directors. Also, at the level of the Existing Shareholder, a shareholder of the Existing Shareholder had in the past (unsuccessfully) taken the view, in the context of actions to rescind shareholder resolutions regarding the annual financial statements, that MSH should not be included in the consolidated financial statements of METRO-Group according to the applicable IFRS rules.

Furthermore, in connection with certain resolutions of the general shareholders' meeting of the Existing Shareholder on February 6, 2017, in particular with respect to the resolution approving

the Demerger Agreement but also other resolutions (including the planned change of the Existing Shareholder's legal name to "CECONOMY AG"), several shareholders of the Existing Shareholder, including Convergenta Invest GmbH, have filed three actions to set aside or declare void (*Anfechtungs- oder Nichtigkeitsfeststellungsklage*) such resolutions before the regional court (*Landgericht*) of Dusseldorf in March 2017 (the "**Actions to Set Aside**"). The plaintiffs allege various deficiencies of the abovementioned shareholders' resolutions and the Demerger documentation with respect to substance, as well as procedure.

Moreover, in February and March 2017, several shareholders of the Existing Shareholder filed two actions for a declaratory judgement (*Allgemeine Feststellungsklage*) to find that the Demerger Agreement is void (*nichtig*) or invalid (*unwirksam*) (the "**Actions for Declaratory Judgement**" and, together with the Actions to Set Aside, the "**Actions**"). The plaintiffs' claims are based on essentially the same grounds as those invoked in the Actions to Set Aside.

On March 28, 2017, the Existing Shareholder filed a motion for expedited registration (*Freigabeverfahren*) pursuant to sections 16(3), 125 of the German Transformation Act (*Umwandlungsgesetz*) with the higher regional court (*Oberlandesgericht*) of Dusseldorf claiming that the Actions do not impede the registration of the Hive Down and Spin-off with the commercial register.

By decision of June 22, 2017, the higher regional court (*Oberlandesgericht*) of Dusseldorf held that the Actions to Set Aside do not impede the registrations of the Hive-down and Spin-off with the commercial register. Due to the motion for expedited registration (*Freigabeverfahren*) being inadmissible with respect to the Actions for Declaratory Judgement, the higher regional court (*Oberlandesgericht*) of Dusseldorf rejected the motion partially. Despite this rejection, the competent commercial register is not impeded to register the Hive-down and Spin-off. However, risks remain that the Hive-down and Spin-off will not be at all, or within the anticipated timeframe, registered with the commercial register or the Listing may be delayed or disrupted.

Furthermore, the decision of the higher regional court (*Oberlandesgericht*) of Dusseldorf with respect to the Existing Shareholder's motion for an expedited registration (*Freigabeverfahren*) has no legally binding effects for the main proceedings concerning the Actions. Thus, it cannot be excluded that the Existing Shareholder or the Company may be subject to claims for damages by any of the plaintiffs.

In addition, we cannot rule out that the Existing Shareholder, MKFH, other German subsidiaries of the Existing Shareholder with which the Existing Shareholder has entered into domination and profit and loss transfer agreements or the Company will be subject to further claims by Convergenta Invest GmbH or other shareholders in connection with or as a consequence of the Demerger or on other grounds, in particular, in relation to the corporate governance of MSH. As a consequence, the Company faces the risk that it may be held liable for liabilities that could arise in connection with or out of these or other disputes or risks.

Furthermore, under the German Transformation Act (*Umwandlungsgesetz*), the Company's creditors may, within six months after the date on which the registrations of the Hive-down and Spin-off in the Company's commercial register were published, require the Company to provide collateral if they are unable to have their claims satisfied and they can demonstrate that the Demerger may jeopardize the satisfaction of their claims.

Should the Company be required to provide collateral as set out above, or should the Company be held liable, this could materially adversely affect our business, results of operations, financial position, cash flows and prospects.

1.6.3. In the Demerger and/or the preparation of the Demerger detrimental tax effects, including the loss of unutilized tax loss carry forward and interest carry forwards of MWFS AG and its subsidiaries as well as significant corporate income and trade taxes at the level of the Existing Shareholder (of which 75% would in principle be borne by the Company), could be caused.

Taxes arising from the Demerger as well as the pre-structuring measures (so-called transaction taxes) are to be borne by us, provided and to the extent that they are expected by the parties

of the Demerger Agreement from today's perspective (so-called calculated transaction taxes). While it is expected that the Demerger and the pre-structuring steps should only trigger relatively low cash taxes, certain tax risks remain, in particular, since the chosen structure of the Demerger is characterized by valuation sensitivity. With regard to Germany, these include, in particular, the following risks:

- The Hive-Down is generally expected not to trigger any corporate income or trade tax because the requirements for a transfer at tax book value pursuant to Section 20 of the German Reorganization Tax Act (*Umwandlungssteuergesetz*) should be met. In particular, (i) the operative METRO Cash & Carry business should qualify as a business unit for tax purposes (*Teilbetrieb*), (ii) all assets and liabilities pertaining to the operative METRO Cash & Carry business should have been transferred to us under the Demerger Agreement and (iii) the tax book value of the METRO Cash & Carry business should remain within certain thresholds (that means it should neither be negative nor should it exceed the fair market value of the METRO Cash & Carry business). However, certain risks remain, especially regarding the valuation, for example (i) the risk that the valuation of the operative METRO Cash & Carry business may be challenged by the tax authorities or (ii) the risk that the tax book values are increased or decreased beyond certain thresholds in the course of a tax audit. If, contrary to our expectations, these valuation related tax risks materialize or if the tax authorities should successfully challenge the tax neutral Hive-Down for other reasons, this could lead to significant corporate income and trade taxes at the level of the Existing Shareholder. Under the tax allocation provisions contained in the Group Separation Agreement (*Konzerntrennungsvertrag*), 75% of such taxes would in principle be borne by the Company and only the remaining 25% by the Existing Shareholder.

- As a consequence of the tax-neutral Hive-Down, the Existing Shareholder's 1%-share in the Company (as will exist immediately after completion of the Demerger) issued to the Existing Shareholder as consideration for the hived-down assets will be regarded as tainted shares (*sperrfristbehaftete Anteile*) and subject to the seven year blocking period pursuant to Section 22 of the German Reorganization Tax Act (*Umwandlungssteuergesetz*). If and to the extent certain measures are implemented with regard to the 1%-share within this blocking period (for example, a disposal of the 1%-share or certain other measures), this could lead to significant taxes at the level of the Existing Shareholder. Other harmful measures within the blocking period could include, among other things, restructuring transactions of the Company and/or the Existing Shareholder, a squeeze-out of the Existing Shareholder's 1%-share and, under certain circumstances, distributions to the Existing Shareholder related to the 1%-share and derived from the Company's tax contribution account (*steuerliches Einlagekonto*). Under the tax allocation provisions contained in the Group Separation Agreement, such taxes would, in principle with a number of exceptions, be borne by the party (the Company or the Existing Shareholder) that has caused the harmful measure in the blocking period.

- The additional 9%-share in the Company indirectly held by the Existing Shareholder upon completion of the Demerger should not be regarded as tainted shares and not be subject to the seven year blocking period. It could, however, be regarded as tainted shares and subject to the blocking period if the fair market value of the 1%-share in the Company (as will exist immediately after completion of the Demerger) issued in the course of the Hive-Down should not reflect the fair market value of the assets hived down (Section 22 (7) of the German Reorganization Tax Act (*Umwandlungssteuergesetz*)). While we believe that all valuations have been conducted in line with applicable standards, so that the 1%-share was issued in accordance with the fair market value of the hived-down assets (so-called value congruence), a risk exists that this value congruence may not exist and/or is challenged by the tax authorities; in this case the 9% share might also be fully or partially regarded as tainted shares and subject to the seven year blocking period and any disposal of it, or parts of it, (or certain other harmful measures) could lead to a significant tax burden at the level of the Existing Shareholder. The same risk exists regarding the 90%-shares in the Company which will be issued to the existing shareholders of the Existing Shareholder in the course of the Spin-Off. If, contrary to our expectations, the value congruence between the assets spun-off to MWFS AG and the 90% shares would not exist, the 90%-shares would also be regarded as tainted shares and therefore subject to

(pro rata to the value incongruence) the seven year blocking period so that, *inter alia*, any future disposals of these shares (or certain other harmful measures), or eventually the Spin-Off itself, could trigger a significant tax burden at the level of the Existing Shareholder. If these valuation related tax risks regarding the 9%-share and/or the 90%-shares materialize, under the tax allocation provisions contained in the Group Separation Agreement, 75% of such taxes would in principle be borne by the Company and only the remaining 25% by the Existing Shareholder.

- We believe that neither the pre-structuring steps nor the Spin-Off should trigger any corporate income or trade taxes, in particular, as any gains should largely be 95% tax-exempt and as sufficient current tax losses are expected in the relevant financial years. However, the risk remains that the tax authorities might not follow this interpretation which could result in significant tax payments at the level of the Existing Shareholder. Under the tax allocation provisions contained in the Group Separation Agreement (*Konzerntrennungsvertrag*), 75% of such taxes would in principle be borne by the Company and only the remaining 25% by the Existing Shareholder.
- The Demerger including the pre-structuring steps should only trigger real estate transfer taxes of approximately EUR 1.2 million. A risk exists that the tax authorities may challenge this treatment and impose significant real estate transfer tax, in particular, related to the transfer of a 92.9% interest in METRO PROPERTIES GmbH & Co. KG ("**MP KG**") and options regarding the remaining interest in MP KG. Under the tax allocation provisions contained in the Group Separation Agreement (*Konzerntrennungsvertrag*), such real estate transfer tax would, in principle, be split at a 50 : 50 ratio between the Company and the Existing Shareholder.
- We expect the Demerger including the pre-structuring steps not to cause any value added tax burden. If a value added tax burden would arise contrary to our expectations, under the tax allocation provisions contained in the Group Separation Agreement (*Konzerntrennungsvertrag*), 75% of such value added tax burden would in principle be borne by the Company and only the remaining 25% by the Existing Shareholder.
- The Company had corporate income tax losses carried forward in an amount of approximately EUR 2.7 billion and trade tax losses carried forward in an amount of approximately EUR 2.9 billion both as of September 30, 2016. We believe that these tax losses carried forward (*Verlustvorträge*) should not be forfeited upon the Spin-Off. However, pursuant to Section 8c of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*) (in conjunction with Section 10a Sentence 10 German Trade Tax Act (*Gewerbesteuergesetz*), if applicable), tax losses carried forward are forfeited in full if, within a period of five years, more than 50% of the Company's share capital or voting rights are transferred either directly or indirectly to an acquiring party or its related parties or a group of acquirers with aligned interests or if a comparable situation arises. If more than 25% and not more than 50% are transferred (or a comparable situation arises), tax losses carried forward are only forfeited pro rata to the transferred percentage. By virtue of the Demerger, the previous shareholders of the Existing Shareholder directly acquire approximately 90% of the shares in the Company. Since the previously existing pool agreements between the main shareholders have been terminated, we believe that the three main shareholders should not be combined for tax purposes due to similar interests and should therefore not qualify as a "group of acquirers". The risk remains, however, that the tax authorities might not follow this interpretation and that, as a consequence of the Spin-Off, loss carry forwards could be lost in part or in full. In this case less than expected, or even no future tax savings at all, may be achievable from the loss carry forward. Furthermore, in a recent decision the German Federal Constitutional Court (*Bundesverfassungsgericht*) ruled that the aforementioned provisions governing the forfeiture of tax losses carried forward in case of share transfers in their versions applicable from 2008 until 2015 as regards a *pro rata* forfeiture and share transfer of more than 25% up to 50% infringes constitutional law and that the legislator must enact until December 31, 2018 at the latest a new respective provision for the relevant years. As the Spin-Off will occur after 2015, this court decision does not directly apply to the share transactions under the Spin-Off. However, it is yet unclear whether and how the legislator will react, in particular whether or not the legislator will extend any changes in the law to years after 2015.

With regard to foreign jurisdictions, the Demerger results, and the pre-structuring measures resulted, in the direct and indirect share transfer of non-German entities. These transfers result and resulted in some obligations related to registration and/or stamp duties. Furthermore, we do not expect any significant taxes or other material negative tax consequences (for example, implications to existing advanced pricing agreements or other taxes). However, a risk exists that foreign tax authorities may take a different view and apply a different treatment (for example, based on a different interpretation of law, including the application of anti-abuse rules). In this case, significant tax burdens might arise. Under the tax allocation provisions contained in the Group Separation Agreement (*Konzerntrennungsvertrag*), 75% of such taxes would in principle be borne by the Company and only the remaining 25% by the Existing Shareholder.

The realization of these tax related risks could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.6.4. Our prospective shareholders face tax-related risks from the Demerger, in particular, from uncertainties regarding the application of the so-called footstep theory.

While we expect no tax effects for the German-resident shareholders of the Existing Shareholder, which largely correspond to the prospective shareholders of the Company, from the Hive-Down, the shareholders of the Existing Shareholder taxable in Germany may be exposed to tax-related risks from the Spin-Off. The tax effects of the Spin-Off derive from the provisions of Section 15 (1) in conjunction with Section 13 of the German Reorganization Tax Act (*Umwandlungssteuergesetz*) as well as Section 20 (4a) of the German Income Tax Act (*Einkommensteuergesetz*). Obtaining a binding assessment from all tax authorities competent for every individual shareholder regarding the issue of the applicable standard under tax law for the allocation of the acquisition costs or tax book values of the shareholder, respectively, was not possible due to legal and factual reasons, neither for the Existing Shareholder nor for the Company. Consequently, tax-related risks from the Demerger remain for the shareholders of the Existing Shareholder.

In the case of shares in METRO AG held as business assets, the tax consequences for the shareholders derive from Section 15 in conjunction with Section 13 of the German Reorganization Tax Act (*Umwandlungssteuergesetz*). According to these provisions, the shares in the Existing Shareholder are deemed to have been disposed of pro rata at their fair market value (*gemeiner Wert*), and the shares in the Company replacing them are deemed to have been acquired, Section 13 (1) of the German Reorganization Tax Act (*Umwandlungssteuergesetz*). In the event of a capital gain therefrom, taxation depends on whether the shareholder is a corporation, an individual entrepreneur or a commercial partnership as well as other factors such as holding times or latent value recovery obligations. Tax neutrality of the Spin-Off, *i.e.,* a roll-over of tax book values, may be possible subject to the requirements of Section 15 (1) sentence 2 in conjunction with Section 13 (2) of the German Reorganization Tax Act (*Umwandlungssteuergesetz*), if a respective application is submitted by the individual shareholder. We believe that such requirements will be fulfilled (based on a clarification of tax law issues for the Existing Shareholder, the Company and other METRO Group companies by way of a binding ruling that the Spin-Off of the 100% interest in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH from the Existing Shareholder to the Company constitutes a so-called business unit for tax purposes (*Teilbetrieb*) and that the remaining assets of the CE Business also constitute a business unit for tax purposes). Pursuant to Section 13 (2) of the German Reorganization Tax Act (*Umwandlungssteuergesetz*) the Company shares replace the shares in METRO AG proportionately for tax purposes (so-called "footstep theory") and certain tax characteristics of the shareholding in the Existing Shareholder are transferred to the shares in the Company and thereby continue to exist. However, the tax authority competent for a shareholder may independently review the pertinent requirements. Tax authorities might not follow our interpretation which could result in a material adverse effect on the shareholders of the Existing Shareholder.

Regarding shares held as non-business assets, Section 13 of the German Reorganization Tax Act (*Umwandlungssteuergesetz*) and, thus, the above explanation of the corresponding risks applies *mutatis mutandis* also for shares held as non-business assets within the meaning of

Section 17 of the German Income Tax Act (*Einkommensteuergesetz*). To the extent that shares in the Existing Shareholder are part of non-business assets and the shareholder did not during the last five years hold an interest of at least 1% in the Existing Shareholder (shareholders within the meaning of Section 20 of the German Income Tax Act (*Einkommensteuergesetz*)), we expect the Spin-Off to be conducted in a tax neutral manner.

Irrespective of whether or not the shares are held as business or non-business assets, according to published opinions of the tax authorities, the allocation of the acquisition costs or, as the case may be, the tax book values to shares in the Existing Shareholder and shares in the Company is generally to be based (if the shares are held as non-business assets) or may generally be based (if the shares are held as business assets) on the allocation ratio set forth in the Demerger Agreement, *i.e.,* shareholders of the Existing Shareholder receive one share of the Company for each share in the Existing Shareholder. Accordingly, previous acquisition costs of shares in METRO AG would have to be allocated 50:50. Since this allocation does not consider the fair market value of the shares, the acquisition costs thus determined may not accurately reflect the pro rata proportionate value of the shares. This could possibly lead to detrimental tax consequences for the shareholders in case of any subsequent disposals.

In addition, tax effects from the Demerger under foreign jurisdictions as well as possibly applicable double taxation treaties, particularly effects of transactions taxable abroad, may also have a detrimental tax effect on the shareholders of the Existing Shareholder.

The realization of any of these tax related risks could have a material adverse effect on the shareholders of the Existing Shareholder.

1.6.5. We have a complex financial history. Thus, the Combined Financial Statements do not necessarily reflect the results of operation, financial position and cash flows of the MWFS Group as an independent listed group of companies.

We have a "complex financial history" within the meaning of the EU Prospectus Regulation (Regulation (EU) 809/2004), since the legal reorganization and therefore the transfer of the business activities of the MWFS Group to the Company were not completed by September 30, 2016. Therefore, the Existing Shareholder has prepared combined financial statements for the MWFS Group which comprise the financial statements of the companies and activities of METRO Cash & Carry (in the future: METRO Wholesale) and Real as well as the central functions and real estate associated with this business for the financial years 2015/2016, 2014/2015 and 2013/2014 which have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft (the "**Audited Combined Financial Statements**") as well as the six-month period ended March 31, 2017 (the "**Unaudited Condensed Combined Interim Financial Statements**" and together with the Audited Combined Financial Statements, the "**Combined Financial Statements**").

The Audited Combined Financial Statements represent our first IFRS financial statements. Based on the stipulations of the Demerger Agreement, it reflects the economic activities of the MWFS Group, which was under common control of the Existing Shareholder during the reporting periods presented in the Combined Financial Statements. The date of the first-time adoption of IFRS is October 1, 2013. The Existing Shareholder prepared the Combined Financial Statements in accordance with IFRS 1 D16 (a). Accordingly, the Combined Financial Statements apply the predecessor accounting method.

Until effectiveness of the Hive-Down and Spin-Off, the MWFS Group was and will be part of the group of companies of the Existing Shareholder and did not operate as an independent group. Thus, the Combined Financial Statements do not necessarily reflect the results that MWFS Group would have recorded as a separate, stand-alone group with own central functions during the years presented in the Combined Financial Statements as also stated in the auditors' opinion thereto. The Combined Financial Statements also may not serve as a guide to future results of the MWFS Group. For example, the completion of the Demerger may result in changes in personnel and cost structures at the Company as the holding company of the MWFS Group. As a result, deviations can be expected in the asset, financial and earnings position of the MWFS Group in future financial years compared with the figures shown in the Combined Financial Statements.

The Combined Financial Statements were prepared on the basis of various assumptions and estimates affecting the presentation and amounts reported for assets, liabilities and equity, income and expenses, and contingent liabilities. Assumptions and estimates are always subject to risks and the historical financial information as presented in the Prospectus does not necessarily reflect in full the changes that would have occurred or which would occur if the MWFS Group had operated as an independent listed group of companies.

1.6.6. We have incurred substantial costs in connection with the preparation and implementation of the Demerger and Listing and may fail to recoup these costs in the future.

The total costs of the preparation and implementation of the Demerger and the Listing are expected to amount to approximately EUR 100 million of which the Company and MWFS Group will bear approximately 98%. Thereof, EUR 44.6 million had been incurred as of March 31, 2017 and have been reflected in the Combined Financial Statements (EUR 24.1 million in the financial year 2015/2016 and EUR 20.5 million in the six-month period ended March 31, 2017). In addition, tax charges in the low single-digit million-range were incurred and are to be borne by us as set out above under *1.6.3. "— In the Demerger and/or the preparation of the Demerger detrimental tax effects, including the loss of unutilized tax loss carry forward and interest carry forwards of MWFS AG and its subsidiaries as well as significant corporate income and trade taxes at the level of the Existing Shareholder (of which 75% would in principle be borne by the Company), could be caused.". We may fail to recoup these costs and tax charges which could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.*

1.7. Risks Related to the Listing and the Shareholder Structure

1.7.1. We face risks from being a listed company, which entails additional regulatory requirements, including, but not limited to, capital markets law requirements such as the preparation of interim financial reporting and ad-hoc disclosures and entailing considerable compliance costs.

While we have been part of a listed group of companies prior to the Demerger, MWFS AG was, as a non-listed company within the METRO Group, not obligated to comply with such additional requirements resulting from being a listed company in the past. Once the Company is listed on the Frankfurt and Luxembourg stock exchanges following the Demerger and, in certain cases, upon filing of the listing application with the relevant stock exchange, we will be subject to the statutory provisions governing the regulated markets, including the regulated market segment (*Regulierter Markt*) and the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange. These require, besides the publication of (interim) financial reporting in accordance with IFRS and applicable stock exchange regulations, the publication of ad-hoc disclosures and the holding of analyst events. In addition, the prohibition of insider trading, the obligation to maintain an insider list and the prohibition on market manipulation would apply. Listed companies are also subject to stricter requirements in relation to accounting, controlling, risk management and corporate governance. Compliance with these requirements will result in additional costs, and a failure to comply with these requirements may result in regulatory fines or punitive measures. In addition, the Company will be required to hold a public general meeting in the future, which the Company did not carry out in this form in the past. In addition, listed companies are subject to stricter requirements with respect to market communication and investor relations.

These additional activities will require more of the management's and employees' time and attention, which will not be available for the operating business and this could have a material adverse effect on our business, results of operations, financial position, cash flows and prospects.

1.7.2. The Existing Shareholder (METRO AG to be renamed CECONOMY AG) and certain other shareholders will retain significant shareholdings in the Company upon completion of the Demerger and will be able to exercise a corresponding influence, and as a result the interests of these shareholders could come into conflict with the interests of other investors.

Upon the Demerger, which is completed upon the last registration with the competent commercial registers, the Existing Shareholder will (directly and indirectly through its wholly-owned subsidiary METRO Consumer Electronics Zwischenholding GmbH & Co. KG) hold approximately 10.0% of the Company's share capital and will be in a position to exert substantial influence at the Company's shareholders' meeting. Also, certain other shareholders, including the shareholder groups Haniel, Schmidt-Ruthenbeck and Beisheim are expected, based on last voting rights notifications received by the Existing Shareholder, to continue to hold at least approximately 22.496%, 14.194% and 8.19% of the Company's share capital, respectively, after the completion of the Demerger. These shareholders, when and if acting together, will be in a position to exert control at the Company's shareholders' meeting and will be able, solely through the exercise of their combined votes, to adopt shareholders' resolutions at the Company that require only a simple majority. Among other things, this means that these shareholders will be able to determine the use of balance sheet profits, resolve certain material capital measures and set the dividend policy of the Company. These shareholders, when and if acting together, could also control the composition of the supervisory board of the Company and, indirectly, the composition of the management board of the Company. Depending on the shareholder presence at the general shareholders' meeting, each of these shareholders may also be able to prevent resolutions from being adopted at the annual general meeting with its respective minority stake. This applies, in particular, to resolutions that require a qualified majority of the votes cast of the represented share capital to be adopted.

In the event that the Existing Shareholder and/or the shareholder groups Haniel, Schmidt-Ruthenbeck and Beisheim do not participate in a capital increase undertaken by us in the future, this could limit our efforts to raise new capital and may have a material adverse effect on our competitive position, and on our business, financial position and results of operations. This may include capital increases to finance acquisitions, investments or for other purposes.

1.7.3. The price and trading volume of the Company's shares could fluctuate significantly, and investors could lose all or part of their investment, in particular, due to an illiquid market.

Following completion of the Demerger and listing of the Company's shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)* and simultaneously on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) (the "**Listing**"), the price of the shares in the Company may be subject to substantial fluctuations, especially as a result of potential failure to meet expectations of investors and securities analysts, changes in the general economic conditions, changes in the shareholder structure and other factors. Furthermore, external factors such as changing demand in the markets relevant to our operations, monetary or interest rate policy measures by central banks, regulatory changes or other external factors such as seasonal influences or unique events can impact our sales and earnings and lead to fluctuations in the price of the Company's shares. General fluctuations in share prices, especially for shares of other companies in the markets in which we operate, or a general deterioration in capital markets, could also lead to pressure on the price of the Shares, and such fluctuations or general deterioration may not necessarily be based on our business operations or earnings prospects.

Furthermore, prior to the Demerger and Listing, there was no public trading in the Shares. There is no guarantee that the share price will develop positively or that a liquid trading market for the Company's shares will develop and remain after the Listing. The fact that certain shareholders, including the shareholder groups Haniel, Schmidt-Ruthenbeck and Beisheim as well as the Existing Shareholder will continue to hold on aggregate approximately 54.9% of the Company's share capital after the completion of the Demerger as set out above, limits the number of free float shares in the Company and could, therefore, adversely affect the

development and maintenance of a liquid trading market for the shares. Investors may not be able to sell the shares of the Company at an economically advantageous price or at all under certain circumstances. In addition, a significant number of shares of the Company could be sold and the share price could as a result experience a corresponding decline after the Listing. This might occur because, for example, shareholders do not wish to invest in the business activities which were spun-off and new investors do not buy the shares of the Company to the same extent. The share price of the Company could fall significantly if shareholders were to sell a substantial number of the Company's shares in the market, or if the market believes that such sales might occur. The sale of a significant number of shares of the Company, or the perception that such a sale will occur, may create the impression that there are problems or difficulties with our business and could adversely affect our share price. Such a sale of a significant number of shares in the Company or the perception that such a sale may occur could also make it more difficult for us to sell additional shares in the future at a time and price deemed appropriate by us.

We also understand that there exist several index funds which hold shares in the Existing Shareholder and will therefore, upon completion of the Demerger, hold shares in the Company. Based on our understanding of the legal implications of the Demerger on the terms and conditions of these index funds we cannot exclude that they may sell shares in the Company once the Demerger is completed, which may develop considerable selling pressure immediately after the Listing and, thus, could negatively impact the Company's share price.

1.7.4. The cumulative value of the MWFS AG and the Existing Shareholder (METRO AG to be renamed CECONOMY AG) shares may not reach or exceed value of the shares of METRO AG prior to the Demerger.

After the completion of the Demerger and Listing, the Existing Shareholder's shares will continue to be listed and will trade taking into account any devaluation the Demerger may envoke. There is no assurance that the cumulative value of the MWFS shares and METRO AG shares based on the respective share prices after the Demerger will equal or exceed the value of the shares of the Existing Shareholder based on the share price prior to the Demerger.

1.7.5. If research analysts do not publish research about our business or issue unfavorable commentary regarding the Company's stock, the share price and trading volume could decline.

The trading market for the Company's shares will be influenced by the research reports that research analysts publish about the Group and our business. The price of the Company's shares could decline if one or more research analysts issue a negative outlook on the Company's common stock, issue other unfavorable commentary, valuations or recommendations regarding the Company's stock or cease publishing reports about MWFS. If one or more of the research analysts ceases coverage of MWFS or fails to publish reports on it regularly, demand for the Company's shares could decrease, which could cause its stock price or trading volume to decline.

In addition, in such cases our contract partners under certain agreements relating to financial and commodity transactions will be entitled to demand additional collateral from us, which could negatively affect our liquidity and reduce our operational flexibility. Moreover, such unfavorable commentary regarding the Company's stock or the downgrade of our credit ratings could have a significant negative impact on our ability to operate our business and raise financing (see also *1.4.2. "— Risks Related to our Financial Profile — Our indebtedness or the enforcement of certain provisions of our financing arrangements could have a material adverse effect on our business."*).

1.7.6. Future capital increases, any future equity offerings or offerings of instruments convertible into equity or any merger with another entity may dilute investors' shareholdings in the Company.

With respect to any future capital increase of the Company, even if it involves a capital increase by way of a rights issue, there is a risk that shareholders who have not exercised their subscription rights will subsequently no longer hold the same percentage of voting and

dividend rights in the Company. Investors in certain jurisdictions (particularly in the United States of America) could be precluded from participating in the rights offering. If a shareholder fails to exercise its voting rights, its share in the Company would be diluted in proportion to the percentage that the capital increase represents in relation to the Company's existing registered share capital.

Pursuant to the German Stock Corporation Act (*Aktiengesetz*) the general shareholders' meeting of the Company may in certain cases also adopt a resolution on a capital increase with the exclusion of the shareholders' subscription rights. Such resolution requires a qualified majority. In such case, shareholders who are not offered any of the shares to be issued could not prevent the dilution of their shares in the Company unless they purchased additional shares in the secondary market, for example, on the stock exchange, at a higher price.

In addition, we may seek to raise capital through public or private debt or equity financings by issuing additional debt or equity securities that are convertible into shares or rights to acquire these securities. We may also seek to merge with another entity and exclude pre-emptive rights pertaining to the then outstanding shares in the future. Any additional capital raised through the issue of additional shares may dilute an investor's shareholding interest in the Company if the investor does not exercise, or is excluded from exercising, its subscription rights. Furthermore, any additional financing that we could need may not be available on terms favorable to it or at all, which may adversely affect our future operations and strategy.

Any additional offering of shares by the Company, or the public perception that an offering may occur, could also have a negative impact on, or increase the volatility of, the trading price of the shares.

1.7.7. The proposed financial transaction tax could result in a substantial new tax burden in the secondary market for investors buying the Group's shares and trading them in a European Union member state which implements such a tax.

On February 14, 2013, the European Commission published a proposal for a directive for a common financial transaction tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each a "**Participating Member State**"). In December 2015, Estonia withdrew from the group of Participating Member States. The proposed tax has a broad, potentially extraterritorial scope. It would apply to financial transactions where at least one party is a financial institution, and (i) one party is established in a Participating Member State or (ii) the financial instrument which is subject to the transaction is issued in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances.

In relation to many secondary market transactions in bonds and shares, the new tax would be charged at a minimum rate of 0.1% of the aggregate amount of the trade on each financial institution which is party to the financial transaction. The proposed tax provides for the Participating Member States to individually apply the tax at a higher rate than 0.1%. There are no broad exemptions for financial intermediaries or market makers. Therefore, the effective cumulative rate applicable to some dealings in bonds or shares (for instance, cleared transactions) could be greatly in excess of 0.1% of the aggregate amount of the trade. In addition, such a tax could negatively affect our financing costs, since we expect that financial institutions will pass on cost relating to the proposed tax to customers such as the Group which require credit, and the tax would also apply to us to the extent that we trade with financial instruments and derivatives (in such case, the tax would be charged at a minimum rate of 0.01%) on a platform subject to the tax and if we were to be categorized as a non-financial entity subject to the proposed regulation.

The proposal remains subject to negotiation between the Participating Member States and may therefore be altered. Additional member states of the European Union may decide to participate. Prospective investors in the offered shares are strongly advised to seek their own professional advice in relation to the financial transaction tax.

2. GENERAL INFORMATION

2.1. Responsibility for the Contents of the Prospectus

METRO Wholesale & Food Specialist AG (formerly METRO Wholesale & Food Specialist GmbH), with its registered office at Metro-Straße 1, 40235 Dusseldorf, Federal Republic of Germany ("**Germany**"), and registered with the commercial register maintained by the local court (*Amtsgericht*) of Dusseldorf, Germany, under HRB 79055 (hereinafter also the "**Company**" or "**MWFS AG**" and, together with the other companies of the combination group as set out in Note 52 of our Audited Combined Financial Statements (as defined below) and *8.3.2. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations — Presentation of Financial Information — Combination Group"*, "**we**", "**us**", "**our**", the "**MWFS Group**", the "**Group**" or "**MWFS**"), together with Merrill Lynch International, London, United Kingdom ("**BofA Merrill Lynch**"), and J. P. Morgan Securities plc, London, United Kingdom ("**J. P. Morgan**"), both acting as listing agents (the "**Listing Agents**" or the "**Banks**"), assume responsibility for the contents of the prospectus (the "**Prospectus**") pursuant to Section 5 (4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and hereby declare that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and that no material circumstances have been omitted. Neither the Company nor the Banks are required by law to update the Prospectus subsequent to the date hereof, except for in accordance with Section 16 (1) sentence 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), which stipulates that every significant new factor or material mistake relating to the information included in a prospectus which is capable of affecting the assessment of the securities and which arises or is noted after the time the prospectus is approved and before the final closing of the offer to the public or the time when the quotation of the securities commences or trading on an organized market begins shall be mentioned in a supplement to the prospectus.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, pursuant to the respective national legislation of the relevant member state of the European Economic Area ("**EEA**"), have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

2.2. Subject Matter of the Prospectus

For purposes of admission to trading on (i) the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange and (ii) the regulated market segment of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) (together, the "**Listing**"), the Prospectus relates to a total of

- 360,121,736 ordinary bearer shares with no par value (*Stückaktien*) (the "**Ordinary Shares**") including 3,601,217 and 324,109,563 newly issued Ordinary Shares from two capital increases against contribution in kind of parts the MWFS Business resolved by an extraordinary general shareholders' meeting of the Company on February 10, 2017, to implement the Hive-Down and Spin-Off which will become effective with the respective registration of the Hive-Down and Spin-Off with the commercial register of the Existing Shareholder maintained by the local court (*Amtsgericht*) Dusseldorf, Germany; and
- 2,975,517 preference bearer shares with no par value (*Stückaktien*) (the "**Preference Shares**" and together with the Ordinary Shares, the "**Shares**") including 29,755 and 2,677,966 newly issued Preference Shares from two capital increases against contribution in kind of parts the MWFS Business resolved by an extraordinary general shareholders' meeting of the Company on February 10, 2017, to implement the Hive-Down and Spin-Off which will become effective with the respective registration of the Hive-Down and Spin-Off with the commercial register of the Existing Shareholder maintained by the local court (*Amtsgericht*) Dusseldorf, Germany.

Each of the Ordinary Shares and the Preference Shares has a *pro rata* amount of EUR 1.00 in the share capital of the Company and full dividend rights for the full financial year 2016/2017 (as defined below) and for all subsequent financial years.

The following security identification numbers apply to the 360,121,736 Ordinary Shares:

International Securities Identification Number (ISIN): DE000BFB0019
German Securities Code (Wertpapier-Kenn-Nummer) (WKN): BFB 001
Trading Symbol: B4B

and the following security identification numbers apply to the 2,975,517 Preference Shares:

International Securities Identification Number (ISIN): DE000BFB0027
German Securities Code (Wertpapier-Kenn-Nummer) (WKN): BFB 002
Trading Symbol: B4B3.

2.3. Forward-Looking Statements

The Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of the Prospectus. This applies, in particular, to statements in the Prospectus containing information on future earnings capacity, plans and expectations regarding our business, growth and profitability, as well as the general economic and legal conditions and other factors to which we are exposed. Statements made using wording such as "expects", "assumes", "estimates", "plans", "intends", "predicts" or "forecasts" may be an indication of forward-looking statements. They can be found in several sections in the Prospectus, for example, in the sections *1. "Risk Factors"*, *8. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations"*, *9. "Markets and Competitive Environment*"; *10. "Business*" and *21. "Recent Developments and Outlook*".

Forward-looking statements in the Prospectus relate, among other things, to:

- the implementation of our strategic plans and the impact of these plans on our assets, financial position and results of operations;
- our expectations regarding the impact of economic, operating, legal and other risks affecting our business; and
- other statements relating to our future business performance and general economic, regulatory and market developments, trends and prospects, and other circumstances relevant to our business.

The forward-looking statements contained in the Prospectus are based on the Company's current estimates and assessments. These forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors, the occurrence or non-occurrence of which could cause actual circumstances – including with regard to our business, results of operations, financial position, cash flows and prospects – to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Even if our future results meet the expectations expressed herein, they may not be indicative of the results of any succeeding periods.

Our business is subject to risks and uncertainties which may render a forward-looking statement, assessment or forecast incorrect. Actual results, performance or events may differ materially from those in such statement due to, among other reasons:

- macroeconomic or regional trends and developments in the markets in which we sell or deliver our products, such as general economic growth, demographic developments, developments in consumer confidence and spending levels, interest rates and inflation;
- the development of international financial markets;
- our ability to successfully compete in the different wholesale and retail markets in which we are present;
- currency effects;
- our ability to successfully manage future growth, or to expand our business, complete acquisitions and successfully integrate acquired businesses;
- changes to, or enforcement of governmental and environmental laws and regulations;

- natural or man-made disasters affecting our warehouses, hypermarkets, depots and other facilities and any other disruption of our operations;
- inadequate protection of our intellectual property rights;
- changes in the scope or interpretation of competition and antitrust laws;
- litigation we may be involved in from time to time;
- our level of indebtedness and capital structure and the terms of our financing instruments;

and other factors described in the Prospectus.

Investors should therefore ensure that they have read the sections *1. "Risk Factors"*, *8. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations"*, *9. "Markets and Competitive Environment"*; *10. "Business"* and *21. "Recent Developments and Outlook"*, which include more detailed descriptions of factors that might influence our business performance and the markets in which we operate.

In light of the uncertainties and assumptions, it is also possible that the future events mentioned in the Prospectus may not occur or may differ materially from actual events. In addition, the forward-looking estimates and forecasts reproduced in the Prospectus from third-party sources could prove to be inaccurate. The foregoing may prevent the Company from achieving its financial and strategic objectives.

The forward-looking statements contained in the Prospectus are only as of the date on which they were made. Investors are advised that neither the Company nor the Banks assume any obligation and do not intend, except as required by law, to publicly release any updates or revisions to these forward-looking statements to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or to adjust them in line with future events or developments.

2.4. Information from Third Parties

Unless otherwise indicated, statements in the Prospectus regarding the market environment, market developments, growth rates, market trends and the competitive environment in the markets and segments in which we operate are based on the Company's assessments and estimates. These assessments, in turn, are – unless otherwise indicated – based in part on internal market observations and/or various studies.

In drafting the Prospectus, the following sources were used in particular:

- a report commissioned by the Company and prepared by the strategy consulting company Kantar Deutschland GmbH (formerly TNS Deutschland GmbH), Munich, Germany ("**Kantar TNS**"), bearing the title "SCO Market Sizing Survey 2016" and prepared in 2016 (the "**Kantar TNS Report**"). The Kantar TNS Report was prepared in the context of the Demerger (as defined below) and Listing process in accordance with the instructions of the Company. The statements taken from the Kantar TNS Report are included in the Prospectus, in the form and context in which they are included, with the consent of Kantar TNS. While neither the Company nor the Banks verified or modified any of the market data provided by Kantar TNS, the Company has delivered, upon Kantar TNS's request, certain factual information to Kantar TNS and has discussed the underlying assumptions with Kantar TNS;
- Euromonitor International Ltd., London, United Kingdom ("**Euromonitor**"), customized report on trends in the HoReCa and Trader markets entitled "IPO Research: Consumer Foodservice and Trader Forecast Model – Qualitative Insights Summary" and dated May 2017 ("**Euromonitor Trend Report**"). This customized report was prepared in accordance with the instructions of the Company. The statements taken from such report are included in the Prospectus, in the form and context in which they are included, with the consent of Euromonitor. While neither the Company nor the Banks verified or modified any of the market data provided by Euromonitor, the Company has delivered, upon Euromonitor's request, certain factual information to Euromonitor and has discussed the underlying assumptions with Euromonitor;

- GIRA Foodservice, Divonne-les-Bains, France ("**GiRa**"); customized study on the competitive environment in the HoReCa markets in France and Germany entitled "Deep dive on French and German Foodservice markets – Key data on market structure, foodservice distribution and competition", December 2016 ("**GiRA Deep-Dive French and German Foodservice Report**"). This customized report was prepared in accordance with the instructions of the Company. The statements taken from such report are included in the Prospectus, in the form and context in which they are included, with the consent of GiRa. While neither the Company nor the Banks verified or modified any of the market data provided by GiRa, the Company has delivered, upon GiRa's request, certain factual information to GiRa and has discussed the underlying assumptions with GiRa;
- Deloitte Touche Tohmatsu Limited, United Kingdom ("**Deloitte**"), in co-operation with the China Chain Store and Franchise Association, "China Power of Retailing 2015", 2015, available under http://www2.deloitte.com/cn/en/pages/consumer-business/articles/china-powers-of-retailing-2015.html;
- EHI Retail Institute GmbH, Cologne, Germany ("**EHI Retail**"), data for the German grocery retail data (sales by format) for 2016, published in May 2017;
- EHI Retail, data on supply assortment by format in the German grocery retail market for 2016, published in May 2017;
- Euromonitor, Passport database for consumer foodservice and retailing (for the 2010-2020E period) according to the respective last update for consumer foodservice (April 2017) and retailing (November 2016);
- Europanel.com, data on purchase frequency per annum and average basket size per trip for certain countries (for 2015), available from http://keyindicators.europanel.com; we have used this data and weighted it based on our own sales and on our analysis in order to compare average basket sizes of retail customers in countries in which we operate to average annual sales of our Recurring Customers (as defined under *2.9. "— Note Regarding Non-Financial Operating Data"*).
- European Central Bank's website, section containing data on foreign exchange rates between the Euro and foreign currencies for different periods, available from http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html; we have used this data to calculate average exchange rates for different periods, as stated in the Prospectus, using for annual periods a 365-day basis and allocating for days in which a reference exchange rate is not calculated by the European Central Bank (for example, Saturdays and Sundays), the last available reference exchange rate (for example, the exchange rate for the respective previous Friday); this calculation method differs slightly from the method used by the European Central Bank itself to calculate average exchange rates over a given period (which only considers as a base the number of days for which a reference exchange rate is available);
- GfK SE, Nuremberg, Germany ("**GfK**"), database for its Total Shopper Panel relating to the fast moving consumer goods and non-food market segments of the grocery retail market in Germany and data on the competitive environment in such channels for 2016, published in April 2017;
- GfK and GfK Verein, Nuremberg, Germany, "*Trends, die tragen – Treiber einer erfolgreichen Markenführung*", published in January 2017 ("**GfK Market Drivers Report**");
- GiRa, "Foodservice Distribution in Italy – 2011, 2012, 2013, 2014", published in November 2015;
- IBM Institute for Business Value, IBM Global Services, New York, USA, "Shoppers disrupted: Retailing through the noise", executive summary, January 2015;
- Internal employee surveys including an assessment on employee engagement carried out in October 2011, May 2014, May 2016 and May 2017 on behalf of the Group by Aon Hewitt, Illinois, USA ("**Aon Hewitt**");
- KPMG AG Wirtschaftsprüfungsgesellschaft and EHI Retail, "Consumer Markets, Trends im Handel 2020", published in 2012 and available under https://www.kpmg.de/docs/20120418-Trends-im-Handel-2020.pdf;

- Michael Bauer Research GmbH, Nuremberg, Germany ("**MB Research**"), data at country-level for our European markets provided on postal code level (such as population) for 2014, which we have used for our analysis on reach of our wholesale and foodservice warehouse operations in our Western European markets;
- Oxford Economics Ltd., London, United Kingdom ("**Oxford Economics**"), "Global Cities Forecasting Service – select locations", October 2016, data on GDP, population and GDP per capita used as a basis for our identification of worldwide megacities ("**Oxford Economics Data**");
- Planet Retail Limited, London, United Kingdom ("**Planet Retail**"), definitions of retail terms available from the subscription-based "Methodology" section of Planet Retail's website;
- Planet Retail, data on 2016 sales of cash & carry players worldwide, available from the subscription-based section of Planet Retail's website;
- think with Google, "New Research Shows How Digital Connects Shoppers to Local Stores"; October 2014, available under http://www.thinkwithgoogle.com;
- think with Google, "How Micro-Moments Are Changing the Rules", April 2015; available under htttp://www.thinkwithgoogle.com;
- United Kingdom's Association of Convenience Stores, "Cost Barometer 2015";
- World Bank, Washington D.C., USA, "Doing Business 2017: Equal Opportunity for All", 14th edition, 2017; and
- World Economic Outlook of the International Monetary Fund as of April 4, 2017 available under http://www.imf.org/external/pubs/ft/weo/2016/02/pdf/text.pdf.

To the extent that information has been sourced from third parties, this information has been accurately reproduced by the Company in the Prospectus and, as far as the Company is aware and is able to ascertain, regarding information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is, by nature, forward-looking and speculative.

The Prospectus contains forecasts, statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data on the Company's business and markets (together the "**market data**") provided by third-party sources such as Euromonitor, GfK, GiRa and Kantar TNS as interpreted by us. This market data is, in part, derived from published research and additional market studies prepared primarily as a research tool, and reflects estimates of market conditions based on research methodologies including primary research, secondary sources and econometric modeling. Part of the market data used has been collected in the framework of a market survey carried out as a panel observation. The panel is a regular survey monitoring sales of specific products and product categories, using a range of distribution channels including Internet, retail outlets (for example, high street, mail order) and companies (for example, resellers). The market data does not represent actual sales figures globally or in any given country; rather, the market data represents a statistical projection of sales in a given territory and is subject to the limitations of statistical error and adjustments at any time (for example, reworks, changes in panel structure). The representativeness of the market data may be impacted by factors such as product categorization, channel distribution and supplier universe identification and statistical sampling and extrapolation methodologies. The market data presented is based on statistical methods and extrapolation and no guarantee for completeness and accuracy can be given by us, the Banks, or any third party.

We operate, in part, in industries and channels for which it is difficult to obtain precise relevant market data. Such market data should therefore be considered with caution and not be solely relied on, as market studies are often based on information and assumptions that may be inaccurate or inappropriate, and their methodology is inherently predictive and speculative. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Prospective investors should note that the Company's own estimates and statements of opinion or belief

are not always based on studies from third parties. The Prospectus also contains estimates of market and other data and information derived from such market data, which cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (from conferences, sector events, etc.) or internal assessments. The Company's management believes that its estimates of market and other data and the information it has derived from such data could assist potential investors in gaining a better understanding of the industry in which companies of the Group operate and the Group's position therein. Our own estimates have not been checked or verified externally. We nevertheless believe that our own market observations are reasonable. However, they may differ from estimates made by competitors of our Group or from future studies conducted by market research institutes or other independent sources. Information prepared by third parties has not been independently verified by us, the Banks or any other party.

Irrespective of the assumption of responsibility for the contents of the Prospectus by the Company and the Banks (see *2.1. "— Responsibility for the Contents of the Prospectus*"), neither the Company nor the Banks nor any other third party, including Euromonitor, GfK, GiRa and Kantar TNS, make any representation or give any warranty as to the accuracy of the market data included in the Prospectus. The third parties whose data is cited in the Prospectus are neither registered broker-dealers nor financial advisors and the permitted use of any market research data does not constitute financial advice or recommendations. The Company and the Banks give no warranty that estimates mentioned in the Prospectus do not differ materially from actual events.

Information contained on any website mentioned in the Prospectus, including our website, is not incorporated by reference in the Prospectus and is not part of the Prospectus.

2.5. Documents Available for Inspection

For as long as the Prospectus is valid, copies of the following documents are available for inspection during regular business hours at the Company's offices at Metro-Straße 1, 40235 Dusseldorf, Germany:

- the Company's articles of association (the "**Articles of Association**");
- the MWFS Group unaudited condensed combined interim financial statements prepared by the Existing Shareholder, METRO AG, in accordance with IAS 34 (*Interim Financial Reporting*), as of and for the six-month period ended March 31, 2017 (the "**Unaudited Condensed Combined Interim Financial Statements**");
- the MWFS Group audited combined financial statements prepared by the Existing Shareholder, METRO AG, in accordance with IFRS as of and for the financial years ended September 30, 2016, 2015 and 2014 (the "**Audited Combined Financial Statements**" and together with the Unaudited Condensed Combined Interim Financial Statements, the "**Combined Financial Statements**");
- the audited unconsolidated financial statements of MWFS AG prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended September 30, 2016 (the "**Audited Unconsolidated Financial Statements**");
- the Kantar TNS Report;
- the Euromonitor Trend Report; and
- the GiRA Deep-Dive French and German Foodservice Report.

The Company's future consolidated annual and interim financial statements will be available on the website of the Company (http://www.metroag.de/en/investors/publications), from the German Company Register (*Unternehmensregister*) (http://www.unternehmensregister.de) and at the Company's offices, Metro-Straße 1, 40235 Dusseldorf, Germany. Annual financial reports will also be published in the German Federal Gazette (*Bundesanzeiger*).

2.6. Note on Currency

The following table explains the denotation of currencies used in the Prospectus and in the Audited Combined Financial Statements:

Symbol used	Legal currency of
"EUR", "€" or "Euro"	the Eurozone, including Germany
"USD" or "US dollar"	the United States of America ("**United States**" or "**USA**")
"BAM" or "Bosnian Mark"	Bosnia
"BGN" or "Bulgarian Lev"	Bulgaria
"HRK" or "Croatian Kuna"	Croatia
"CZK" or "Czech Crown"	the Czech Republic
"DKK" or "Danish Crown"	Denmark
"EGP" or "Egyptian Pound"	Egypt
"HKD" or "Hong Kong Dollar"	Hong Kong
"HUF" or "Hungarian Forint"	Hungary
"INR" or "Indian Rupee"	Indian
"IDR" or "Indonesian Rupiah"	Indonesia
"JPY" or "Japanese Yen"	Japan
"KZT" or "Kazakh Tenge"	Kazakhstan
"MDL" or "Moldovan Leu"	Moldova
"MAD" or "Moroccan Dirham"	Morocco
"NOK" or "Norwegian Krone"	Norway
"PKR" or "Pakistani Rupee"	Pakistan
"PLN" or "Polish Zloty"	Poland
"GBP" or "Pound Sterling"	the United Kingdom
"CNY" or "Renminbi"	the People's Republic of China ("**China**")
"RON" or "Romanian Leu"	Romania
"RUB" or "Russian Ruble"	Russia
"RSD" or "Serbian Dinar"	Serbia
"SGD" or "Singapore Dollars"	Singapore
"CHF" or "Swiss Franc"	Switzerland
"TRY" or "Turkish Lira"	Turkey
"UAH" or "Ukrainian Hryvnia"	Ukraine
"VND" or "Vietnamese Dong"	Vietnam

The abbreviation "t" preceding currency data stands for "thousand", the abbreviation "m" stands for "million" and the abbreviation "bn" stands for "billion".

The table below shows the annual average exchange rates as well as the closing rates of the foreign currencies listed against the Euro for the periods listed as used in the Prospectus (except where otherwise stated) and in the Audited Combined Financial Statements. Since all subsidiaries of the Company conduct their financial, commercial and organizational activities independently, their respective local currency is the functional currency. In accordance with IAS 21, all items in the combined balance sheet, except equity, are translated at the closing rate, while expense and income items are generally translated at the rates applicable at the transaction date, based on materiality average rates are used. Equity is translated at historical rates. Any resulting translation differences are recognized in a separate component of equity. Foreign exchange rate differences arising compared to the prior year are also recognized in a separate component of equity, the foreign currency translation reserve.

	Annual average exchange rate for the twelve-month period ended			Closing rate as of		
	September 30,			September 30,		
1 EUR equivalent to	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
USD	1.11098	1.14863	1.35691	1.11610	1.12030	1.25830
BAM	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
BGN	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
HRK	7.55920	7.6245	7.62536	7.52200	7.64450	7.64250
CZK	27.04140	27.42870	27.29877	27.02100	27.18700	27.50000
DKK	7.45069	7.45411	7.45919	7.45130	7.45980	7.44310
EGP	9.25176	8.57877	9.36833	9.85335	8.66620	8.98510
HKD	8.62172	8.90626	10.52203	8.65470	8.68240	9.77400
HUF	312.27877	308.94701	305.88518	309.79000	313.45000	310.57000
INR	74.22463	72.50054	82.82878	74.36550	73.48050	77.85640
IDR	14,923.410	15,853.760	14,914.460	14,566.220	16,347.810	15,366.970
JPY	124.09443	138.81282	136.84504	113.00000	134.69000	138.11000
KZT	370.06902	233.71997	220.67414	375.52000	303.47000	231.05000

1 EUR equivalent to	Annual average exchange rate for the twelve-month period ended September 30, 2016	2015	2014	Closing rate as of September 30, 2016	2015	2014
MDL	22.09941	20.08065	18.63509	22.16110	22.59260	18.47930
MAD	10.86310	10.88235	11.21069	10.91235	10.87815	11.07545
NOK	9.36916	8.75905	8.26985	8.98650	9.52450	8.11900
PKR	116.46653	117.20413	138.88143	116.96670	117.25160	129.39590
PLN	4.33360	4.17060	4.17814	4.31920	4.24480	4.17760
GBP	0.78209	0.74305	0.81927	0.86103	0.73850	0.77730
CNY	7.25857	7.14511	8.34171	7.44630	7.12060	7.72620
RON	4.47856	4.43956	4.44849	4.45370	4.41760	4.41020
RUB	75.28270	64.80626	47.09572	70.51400	73.24160	49.76530
RSD	122.49388	120.61782	115.74586	123.29290	119.74910	118.85090
SGD	1.53280	1.5444	1.70377	1.52350	1.59210	1.60630
CHF	1.09130	1.09807	1.22078	1.08760	1.09150	1.20630
TRY	3.25276	2.93219	2.88971	3.35760	3.39030	2.87790
UAH	27.55541	22.42906	13.95118	28.94817	23.85750	16.44676
VND	24,274.08	24,661.11	28,673.35	24,585.96	24,963.36	27,428.59

Source: Company calculation based on data from the European Central Bank.

2.7. Note Regarding the Presentation of Certain Financial Information

The financial years ended September 30, 2016, September 30, 2015 and September 30, 2014 are also referred to in the Prospectus as "**financial year 2015/2016**" or "**2015/2016**", "**financial year 2014/2015**" or "**2014/2015**" and "**financial year 2013/2014**" or "**2013/2014**", respectively. The current financial year, which will end on September 30, 2017, is also referred to as "**financial year 2016/2017**" or "**2016/2017**". The six-month periods ended March 31, 2017 and March 31, 2016 are also referred to in the Prospectus as the "**first half of 2016/2017**" or "**six-month period 2016/2017**" and "**first half of 2015/2016**" or "**six-month period 2015/2016**", respectively.

Financial data in the Prospectus presented as "audited" has been taken from our Audited Combined Financial Statements or our Audited Unconsolidated Financial Statements. Financial data in the Prospectus presented as "unaudited" is either derived from our Audited Combined Financial Statements, or taken or derived from our Unaudited Condensed Interim Combined Financial Statements or from our accounting records or our management, or is based on calculations of these figures.

For information regarding the presentation of financial information contained in the Prospectus also see the respective introductions to the sections headed *7. "Selected Financial and Other Information*" and *8. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations*".

2.8. Note Regarding Non-IFRS Measures

Throughout the Prospectus, we present financial measures and adjustments that are not presented in accordance with IFRS or any other internationally accepted accounting principles, (collectively, the "**Non-IFRS Measures**"). We have defined each of the following Non-IFRS Measures as follows:

- "**Delivery Sales**" comprise sales from FSD, out-of-store delivery, order collection and transport after check-out and include acquired companies (for example, Classic Fine Foods group, Rungis express group and Pro à Pro group) as from their respective first-time combination (based on Data Warehouse).
- "**Delivery Sales Share**" is defined as our Delivery Sales for a certain period as percentage of our total METRO Wholesale external sales (net).
- "**Earnings Per Share**" is defined as our combined profit or loss for the period divided by the number of Shares expected to exist as of the date of the Listing and is calculated on the basis of a total number of 363,097,253 Shares;
- "**EBITDA**" is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operative companies recognized at equity, other investment result, depreciation / amortization / impairment losses and reversals of impairment losses;

- "**EBITDA-margin**" is calculated, on a group level, as the percentage of sales and, on a segment level, as the percentage of external sales (net) of the respective segment;
- "**EBITDA Before Special Items**" is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operative companies recognized at equity, other investment result, depreciation / amortization / impairment losses, reversals of impairment losses and special items (for explanations of special items, see Note 43 of our Audited Combined Financial Statements in *20. "Financial Information"*);
- "**EBITDA Before Special Items-margin**" is calculated, on a group level, as the percentage of sales and, on a segment level, as the percentage of external sales (net) of the respective segment;
- "**EBIT**" is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operative companies recognized at equity and other investment result;
- "**EBIT-margin**" is calculated, on a group level, as the percentage of sales and, on a segment level, as the percentage of external sales (net) of the respective segment ;
- "**EBIT Before Special Items**" is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operative companies recognized at equity, other investment result and special items (for explanations of special items, see Note 43 of our Audited Combined Financial Statements in *20. "Financial Information"*);
- "**EBIT Before Special Items-margin**" is calculated, on a group level, as the percentage of sales and, on a segment level, as the percentage of external sales (net) of the respective segment;
- "**Free Cash Flow**" is defined as EBITDA less investments excluding additions to finance leases plus or minus, as the case may be, change in Net Working Capital (as defined below);
- "**FCF Conversion**" is defined as Free Cash Flow divided by EBITDA;
- "**Free Cash Flow Before Special Items**" is defined as EBITDA Before Special Items less investments excluding additions to finance leases plus or minus, as the case may be, change in Net Working Capital;
- "**Gross Margin Before Special Items**" is defined as sales less cost of sales as a percentage of net external sales, in each case adjusted for special items (which mostly relate to efficiency improvements at METRO Logistics, *i.e.,* severance payments and provisions for deficient rental cover);
- "**Like-for-like Sales Growth**" (in %) represents sales growth on a comparable basis with respect to a comparable group of locations (*i.e.*, warehouses and/or hypermarkets) or continued business concepts in constant average currency (prior financial year figures translated at current financial year's exchange rates). This only includes the sales of locations that were neither newly opened during the reporting year or the preceding year nor closed or divested from, and whose business was not substantially affected by changes in its selling area as a result of remodeling, or by other changes in concept. Delivery Sales (as defined above) are included in like-for-like sales unless they are generated in a location which is not part of the like-for-like portfolio in the respective period or arise from new depots opened to address mainly new customers. Online sales are generally part of like-for-like sales. Sales attributable to an acquired company are only included in like-for-like sales after a full financial year of operations under our control.
- "**Net Indebtedness**" (referred to in our Combined Financial Statements as net debt) is defined as borrowings including finance leases less cash and cash equivalents and less short-term financial investments;
- "**Net Working Capital**" is defined as the balance of inventories, trade receivables, trade payables and receivables from supplier credits;

- "**Tax Rate**" is defined as income taxes, including current and deferred taxes, as a percentage of combined earnings before taxes EBT; and
- "**Tax Rate Before Special Items**" is defined as income taxes before special items, including current and deferred taxes, as a percentage of combined earnings before taxes EBT before special items.

We present these Non-IFRS Measures as (i) they are used by our management to measure operating performance and liquidity, including in presentations to the members of our Management Board and Supervisory Board, and as a basis for strategic planning and forecasting, and (ii) they represent similar measures that we believe are widely used by certain investors, securities analysts and other parties as supplemental measures of operating and financial performance. These Non-IFRS Measures may enhance management's and investors' understanding of our financial performance and liquidity by excluding items that are outside of our ongoing operations, such as income taxes, costs of capital and non-cash expenses. For example, we believe that EBITDA is widely used by investors to measure our operating performance before depreciation / amortization / impairment losses, in particular, because depreciation and amortization under IFRS can vary substantially from company to company depending on the accounting methods, carrying amount of assets, and capital structure or method by which assets were acquired and are therefore less comparable as a result.

However, these Non-IFRS Measures are not measures based on IFRS or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial results or other indicators of our performance based on IFRS measures. They should not be considered as alternatives to net income or operating income as indicators of our performance, profitability or as alternatives to cash flows from operating income as an indicator of our liquidity. The Non-IFRS Measures, as defined by us, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our Non-IFRS Measures are calculated. Even though the Non-IFRS Measures are used by management to assess ongoing operating performance and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results or cash flows as reported under IFRS.

Figures based on Data Warehouse are statistical and are prepared using a self-reporting customer classification system. For sales figures per customer group (i.e., HoReCa, Trader and SCO), such figures exclude non-strategic product categories (including tobacco, petrol and empties). Thus, deviations from financial information as reported in the Combined Financial Statements may occur.

2.9. Note Regarding Non-Financial Operating Data

Certain key performance indicators and other non-financial operating data included in the Prospectus are derived from management estimates, are not part of our financial statements or accounting records, and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS. We have defined each of the following key performance indicators and other non-financial operating data as follows:

- "**Customer Visits**" for our Real segment is defined as the number of check-outs per period. Included in this number are defined check-out cashier desks per hypermarket, which generally do not include temporary areas such as tents on the parking space or sales within the general shopping mall outside of hypermarket's main area. In some hypermarkets, separate beverage shops or service points for home electronics may also be excluded.
- "**Buying Customer**" is defined as customers who have purchased from us (in our wholesale – warehouse and delivery – business) at least once in the financial year.
- "**Recurring Customer**" is defined as the number of HoReCa and Trader customers who have visited us at least 26 times and the number of SCO customers who have visited us at least twelve times in the financial year.

2.10. Note Regarding Figures and Technical Terms

Unless stated otherwise, all amounts are shown in millions of Euros (EUR million). Financial information presented in parentheses denotes the negative of such number presented. Change as a percentage is calculated by dividing the difference between the starting value and the end value by the starting value. A change in parentheses denotes a deterioration, *i.e.*, a positive value decreasing or a negative value increasing.

Some figures (including percentages) in the Prospectus have been rounded in accordance with commercial rounding. EUR million amounts below EUR 0.5 million are generally rounded and reported as EUR 0 million. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in tables or stated elsewhere in the Prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures stated elsewhere in the Prospectus due to rounding in accordance with commercial rounding.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined.

3. THE DEMERGER AND LISTING

On September 5, 2016, the management board of the Existing Shareholder, METRO AG, with its registered office in Dusseldorf and registered with the commercial register of the local court of Dusseldorf under HRB 39473, the strategic management holding company of the METRO Group, resolved with the consent of the supervisory board of the Existing Shareholder to implement the measures necessary for preparing the separation of the METRO Group into two independent listed companies by way of a hive-down for absorption (*Ausgliederung zur Aufnahme*) pursuant to Section 123 (3) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) ("**Hive-Down**") and a spin-off for absorption (*Abspaltung zur Aufnahme*) pursuant to Section 123 (2) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) ("**Spin-Off**"; the Hive-Down and the Spin-Off are together referred to as the "**Demerger**").

The wholesale (including warehouse and delivery) as well as food retail business including other related business activities of the METRO Group as described below ("**MWFS Business**") will be separated from the consumer electronics business of the METRO Group as described below ("**CE Business**") through the Demerger. The new, listed parent company of the MWFS Business will be MWFS AG. The Existing Shareholder, METRO AG, will be the parent company of the CE Business and shall change its legal name to "CECONOMY AG" (hereinafter together with its direct and indirect subsidiaries upon completion of the Demerger, the "**CE Group**"). MWFS AG, as future parent company of the MWFS Group, is expected to change its legal name to "METRO AG" after the current METRO AG will have changed its legal name.

The Demerger is based on a hive-down and spin-off agreement between the Existing Shareholder as transferring entity and the Company as receiving entity (*Ausgliederungs-* und *Abspaltungsvertrag*) dated December 13, 2016 ("**Demerger Agreement**"), which was approved by the general shareholders' meeting of the Existing Shareholder on February 6, 2017 and by the general shareholders' meeting of MWFS AG on February 10, 2017.

In connection with certain resolutions of the general shareholders' meeting of the Existing Shareholder on February 6, 2017, in particular with respect to the resolution approving the Demerger Agreement but also other resolutions (including the planned change of the Existing Shareholder's legal name to "CECONOMY AG"), several shareholders of the Existing Shareholder, including Convergenta Invest GmbH, have filed three actions to set aside or declare void *(Anfechtungs- oder Nichtigkeitsfeststellungsklage)* such resolutions before the regional court (*Landgericht*) of Dusseldorf in March 2017 (the "**Actions to Set Aside**"). The plaintiffs allege various deficiencies of the abovementioned shareholders' resolutions and the Demerger documentation with respect to substance, as well as procedure.

Moreover, in February and March 2017, several shareholders of the Existing Shareholder filed two actions for a declaratory judgement *(Allgemeine Feststellungsklage)* to find that the Demerger Agreement is void *(nichtig)* or invalid *(unwirksam)* (the "**Actions for Declaratory Judgement**" and, together with the Actions to Set Aside, the "**Actions**"). The plaintiffs' claims are based on essentially the same grounds as those invoked in the Actions to Set Aside.

On March 28, 2017, the Existing Shareholder filed a motion for expedited registration (*Freigabeverfahren*) pursuant to sections 16(3), 125 of the German Transformation Act (*Umwandlungsgesetz*) with the higher regional court (*Oberlandesgericht*) of Dusseldorf claiming that the Actions do not impede the registration of the Hive Down and Spin-off with the commercial register.

By decision of June 22, 2017, the higher regional court (*Oberlandesgericht*) of Dusseldorf held that the Actions to Set Aside do not impede the registrations of the Hive-down and Spin-off with the commercial register. Due to the motion for expedited registration (*Freigabeverfahren*) being inadmissible with respect to the Actions for Declaratory Judgement, the higher regional court (*Oberlandesgericht*) of Dusseldorf rejected the motion partially. Despite this rejection, the competent commercial register is not impeded to register the Hive-down and Spin-off.

For information on potential risks related with the Actions, see *1.6.2. "Risk Factors — Risks Related to the Demerger and Separation of our Business from the METRO Group — In connection with or as a consequence of the Demerger, we face risks from claims, particularly*

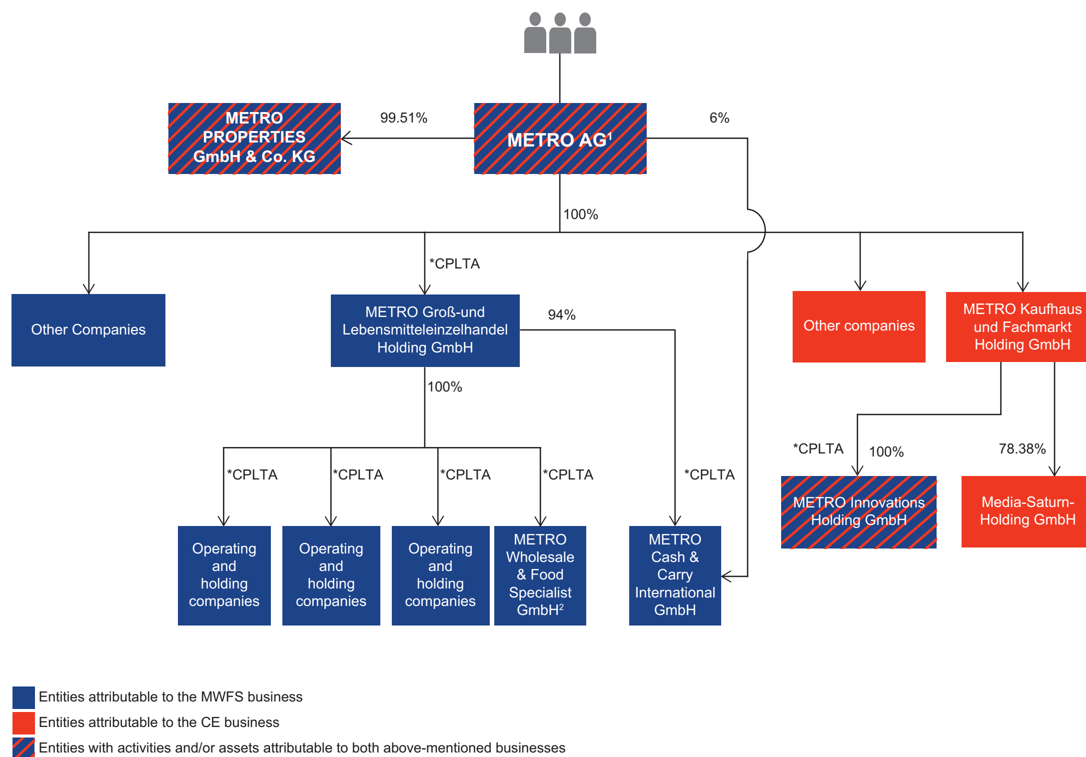
pursuant to Section 133 of the German Transformation Act (Umwandlungsgesetz), according to which we would be jointly and severally liable for liabilities of the Existing Shareholder which come into existence before the Demerger is completed under certain conditions.".

Pursuant to the Demerger Agreement, the Existing Shareholder will transfer the MWFS Business to MWFS AG by way of the Hive-Down and the Spin-Off. As consideration for the assets transferred by way of the Hive-Down, the Existing Shareholder, METRO AG, will receive 3,601,217 Ordinary Shares and 29,755 Preference Shares (representing, on aggregate, approximately 1.0% of the total share capital of MWFS AG immediately following the completion of the Demerger). These Ordinary Shares and Preference Shares will be issued in a capital increase against contribution in kind. The respective contribution in kind consists of the hived-down assets, as further described below under *3.2. "— Demerger Procedure*". As consideration for the assets transferred by way of the Spin-Off, the shareholders of the Existing Shareholder will receive 324,109,563 Ordinary Shares and 2,677,966 Preference Shares (representing, on aggregate, approximately 90.0% of the total share capital of MWFS AG immediately following the completion of the Demerger). The Demerger Agreement provides for an allocation ratio (*Zuteilungsverhältnis*) of 1:1, *i.e.*, for each ordinary share in METRO AG, one Ordinary Share, and for each preference share in METRO AG, one Preference Share will be granted. These Ordinary Shares and Preference Shares will be issued in a capital increase against contribution in kind. The respective contribution in kind consists of the spin-off assets, as further described below under *3.2. "— Demerger Procedure*".

Full implementation of the Demerger will be achieved upon the registration of the last of the Hive-Down and the Spin-Off with the competent commercial register for the Existing Shareholder in Dusseldorf.

3.1. Corporate Structure Prior to the Demerger

The following chart shows the corporate structure (in simplified form and in most cases without showing subsidiaries of the depicted entities) prior to the implementation of the corporate measures carried out to prepare and implement the Demerger:



1 To be renamed "CECONOMY AG".

2 Later changed its corporate form to a German stock corporation under the legal name METRO Wholesale & Food Specialist AG; to be renamed "METRO AG".

* CPLTA: Control and profit-and-loss transfer agreement.

In preparation of the Demerger, the Company was chosen as receiving entity of the Demerger and future parent company of the MWFS Business because of its significant tax loss carry forward. Also in preparation of the Demerger, the Existing Shareholder acquired the Company (at that time still METRO Wholesale & Food Specialist GmbH) at its market value at the time from METRO Groß- und Lebensmitteleinzelhandel Holding GmbH ("**MGLEH**"). In order to re-activate the previously dormant Company and to eliminate the previously existing adverse balance, *i.e.,* a situation in which the book value of the net assets of a company does not cover the share capital set out in the articles of association of such company, the Existing Shareholder contributed a limited partnership interest in MP KG in the amount of approximately 92.9% and its one-third interest in the general partner of MP KG to the capital reserves of MWFS AG (at that time still METRO Wholesale & Food Specialist GmbH) by means of an asset contribution. With respect to the Existing Shareholder's approximately 6.6% stake in MP KG, the Existing Shareholder, METRO AG, and MWFS AG (at that time still METRO Wholesale & Food Specialist GmbH) entered into an option agreement providing for call options for the benefit of MWFS AG and put options for the benefit of the Existing Shareholder (METRO AG) exercisable within certain timeframes; see also *16.1.2. "Transactions and Relationships with Related Parties —Transactions and Relationships with the Existing Shareholder and the CE Group —Corporate Legal Relationships"*. On September 19, 2016, the Company's management notified the commercial register at the local court of Dusseldorf of the economic reestablishment (*wirtschaftliche Neugründung*) of MWFS AG (at that time still METRO Wholesale & Food Specialist GmbH). The Existing Shareholder (METRO AG) also established METRO Consumer Electronics Zwischenholding GmbH & Co. KG ("**ZH KG**"), with the Existing Shareholder being the only limited partner. Subsequently, the Existing Shareholder contributed the sole share in MWFS AG (at that time still METRO Wholesale & Food Specialist GmbH), which it had acquired from MGLEH, to its subsidiary ZH KG in return for new shares (*i.e.,* an increase in the limited partner's interest). With regard to the value ratios targeted for

tax reasons, funds were withdrawn from MWFS AG's (at that time still METRO Wholesale & Food Specialist GmbH) uncommitted capital reserve (Section 272 (2) No. 4 of the German Commercial Code (*Handelsgesetzbuch*)) in the amount of EUR 450 million on September 30, 2016. The corresponding receivable was transformed into a loan between the Existing Shareholder as lender and the Company as borrower; see also *16.1.4. "Transactions and Relationships with Related Parties — Transactions and Relationships with the Existing Shareholder and the CE Group — Financing".* In view of a future listing of the Company, the Company was subsequently transformed into a German stock corporation as well as renamed "METRO Wholesale & Food Specialist AG". Thereafter the Company's share capital was reduced from EUR 204,517,000.00 to EUR 32,678,752.00 by way of an ordinary capital reduction that was resolved upon by ZH KG in an extraordinary general shareholders' meeting of the Company on November 16, 2016.

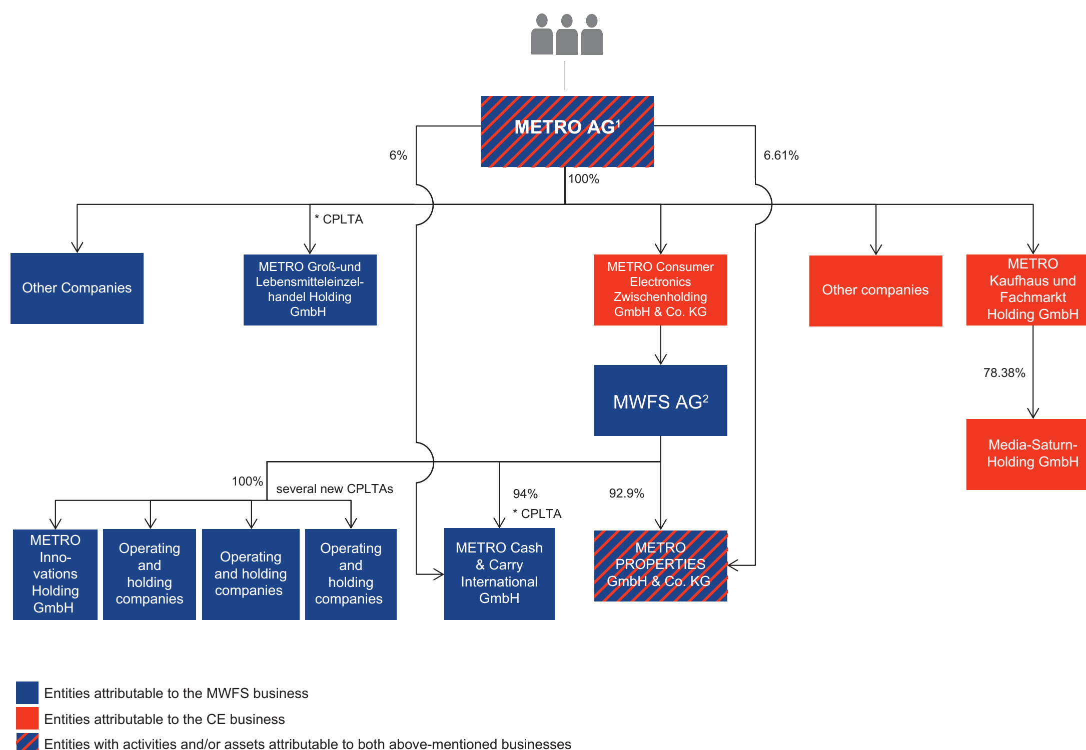
With economic and (with one exception) legal effect as per the end of September 30, 2016, MGLEH and its wholly-owned subsidiary, METRO Erste Erwerbsgesellschaft mbH, sold and transferred substantially all interests in companies of the MWFS Business (with the exception, in particular, of a 6% interest in METRO Cash & Carry International GmbH not held by MGLEH but by the Existing Shareholder directly) to MWFS AG (at that time still METRO Wholesale & Food Specialist GmbH). The control and profit-and-loss transfer agreements between the German companies sold (as dependent companies) and MGLEH (as controlling company) were cancelled as per the end of September 30, 2016, and new control and profit-and-loss transfer agreements between MWFS AG (at that time still METRO Wholesale & Food Specialist GmbH; as controlling company) and the German companies sold (as dependent companies) were entered into as of the beginning of the financial year beginning October 1, 2016.

The purchase prices for the interests sold and transferred correspond to the respective market values of the interests as per the end of September 30, 2016. They were in most cases only agreed on a preliminary basis and where that was the case subsequently for the two of these companies finally determined through a company valuation conducted by a German public auditor pursuant to the IDW S1 standard. In most cases, an interest-bearing deferral has been granted for the purchase prices until September 30, 2019. As a result, MGLEH, directly and indirectly through its subsidiary, METRO Erste Erwerbsgesellschaft mbH, hold claims for payment of the purchase price against MWFS AG amounting to, on aggregate, approximately EUR 6.6 billion plus interest of 0.1% per annum as of September 30, 2016, 24:00 h. The claims for payment are secured by comfort letters issued by the Existing Shareholder for the benefit of the respective sellers.

Furthermore, certain other measures were carried out to separate the MWFS Business and the CE Business within the METRO Group and to create independent organization structures. In particular, the existing operations (including the so-called corporate center) at the METRO AG level were divided into two different operating units (*Betriebsteile*) as per the end of September 30, 2016. The various subsidiaries and associated companies of the Existing Shareholder had been mostly allocated to either the MWFS Business or the CE Business already prior to the decision to split up the METRO Group. As this had not been the case with METRO Innovations Holding GmbH ("**MIH**"), the interests in subsidiaries and outstanding loans of MIH attributable to the CE Business were transferred to a subsidiary of the Existing Shareholder allocated to the CE Business in September 2016. The sole share in MIH, including the remaining interests in subsidiaries and outstanding loans relating to the MWFS Business, was then transferred to MWFS AG (at that time still METRO Wholesale & Food Specialist GmbH).

To the extent that the CE Business depends on real property and/or services from various supporting (cross-sectional) companies that will be transferred to the MWFS Group as part of the Demerger, the companies of the CE Business will be entitled to use such performance or services after September 30, 2016 on the basis of existing or new contracts; see also *16.1.9. "Transactions and Relationships with Related Parties — Transactions and Relationships with the Existing Shareholder and the CE Group — Service Agreements".*

The following chart shows the corporate structure (in simplified and in parts illustrative form and in most cases without showing subsidiaries of the depicted entities) after the implementation of the preparatory corporate measures but before the completion of the Demerger:



1 To be renamed "CECONOMY AG".
2 To be renamed "METRO AG".
* CPLTA: Control and profit-and-loss transfer agreement.

3.2. Demerger Procedure

Through the Demerger, the Existing Shareholder as transferring entity will transfer the remaining MWFS Business including the wholesale as well as food retail business (METRO Wholesale and Real) as well as other related entities and business activities such as logistics, IT and real estate and related intangible assets to MWFS AG as receiving entity by way of the Hive-Down and the Spin-Off as set out in the Demerger Agreement. As consideration for the transfer of the hived-down assets, MWFS AG as receiving entity will grant 3,601,217 Ordinary Shares and 29,755 Preference Shares (all newly issued shares in the Company) to the Existing Shareholder, totaling approximately 1.0% of the Company's share capital, as it will exist immediately after completion of the Demerger. As consideration for the transfer of the spun-off assets, the shareholders of the Existing Shareholder will receive newly issued Shares in MWFS AG according to their proportional shareholding in the Existing Shareholder, totaling approximately 90.0% of the Company's capital stock, as it will exist immediately after completion of the Demerger. Both the newly issued Shares to be granted to the Existing Shareholder and the newly issued Shares to be granted to the shareholders of the Existing Shareholder will be created through a capital increase against contribution in kind (contribution of parts of the MWFS Business into MWFS AG), respectively.

The individual measures carried out as part of the Hive-Down and Spin-Off and as agreed upon in the Demerger Agreement are hereinafter described in more detail:

A part of the assets pertaining to the MWFS Business shall be transferred by the Existing Shareholder to MWFS AG by means of the Hive-Down. The transferred assets comprise, among others, the newly established "MWFS Corporate Center" (including the associated staff and operating and business equipment), intangible assets of the Existing Shareholder, including, in particular, license agreements and rights of use regarding the "METRO" and "real,-" brands, participations in entities attributable to the MWFS Business and the entire financial

debt towards third parties and other specific liabilities of the Existing Shareholder. The employees of the MWFS Business will also transfer as part of the Hive-Down. As of September 30, 2016, the value of the transferred assets corresponded to approximately 1.0% of the overall going concern value of MWFS Business. Accordingly, as consideration for the transfer of the hived-down assets, the Existing Shareholder will receive new Shares in MWFS AG issued through a capital increase, which will represent approximately 1.0% of the share capital of MWFS AG as will exist immediately following the completion of the Demerger.

The remaining (and, from the point of view of its value, major) part of the MWFS Business will be transferred by the Existing Shareholder to the Company by means of the Spin-Off. The spin-off assets comprise mainly the 100% interest held by the Existing Shareholder in MGLEH, which together with its subsidiary METRO Erste Erwerbsgesellschaft mbH holds the deferred claim to payment of the purchase price against MWFS AG from the sale of interests of the MWFS Business in the amount of approximately EUR 6.6 billion. As of September 30, 2016, the value of the spin-off assets represented overall approximately 90.0% of the overall going concern value of the MWFS Business. As consideration for the transfer of the spin-off assets, the shareholders of the Existing Shareholder will receive new Shares in MWFS AG issued through a capital increase and according to their proportional shareholding in the Existing Shareholder in a ratio of 1:1, *i.e.*, for each ordinary share in the Existing Shareholder, one Ordinary Share in MWFS AG and for each preference share in the Existing Shareholder, one Preference Share in MWFS AG. The newly issued Shares will represent approximately 90.0% of the share capital of the Company as will exist immediately following the completion of the Demerger. It is envisaged that all the Shares of the Company will be admitted to trading on the Frankfurt Stock Exchange and the Luxembourg Stock Exchange immediately after completion of the Demerger.

Immediately after completion of the Demerger, the shareholders of the Existing Shareholder will, on aggregate, hold an interest of approximately 90.0% in the share capital of MWFS AG, while the Existing Shareholder will hold an interest of approximately 10.0% in the share capital of MWFS AG. Of such 10.0% participation, approximately 1.0% is issued as consideration for the Hive-Down. This participation of approximately 1.0% is subject to a statutory period of seven years as of the tax transfer effective date (as described below) during which any (partial) disposal of and certain other measures regarding this participation of approximately 1.0% could lead to a (partial) retroactive taxation of the built-in gains of the hived-down assets. This participation of approximately 1.0% is also subject to a contractual lock-up of seven years and one day as of the tax transfer effective date (*steuerlicher Übertragungsstichtag*), as defined below. The Shares held indirectly by the Existing Shareholder through ZH KG will represent approximately 9.0% of the share capital of MWFS AG immediately following the completion of the Demerger; these Shares are not subject to a statutory holding period. This participation of approximately 9.0% is, however, subject to a contractual lock-up of six months from the first day of trading of the Shares in MWFS AG on the Frankfurt Stock Exchange. Besides its participation in METRO PROPERTIES GmbH & Co. KG and in ZH KG (and thus indirectly in MWFS AG), as explained above, upon completion of the Demerger the Existing Shareholder will only hold participations and assets relating to the CE Business. These will comprise mainly the "CE Corporate Center" established prior to September 30, 2016, and the existing 100% interest in MKFH, which will continue to hold a 78.38% interest in Media-Saturn-Holding GmbH. The Demerger itself will not immediately result in changes of shareholdings in the Existing Shareholder.

For purposes of the balance sheet under the German Commercial Code (*Handelsgesetzbuch*), the Hive-Down and Spin-Off shall each have retroactive effect as of the hive-down effective date and spin-off effective date (*gesellschaftsrechtlicher Ausgliederungs- und Abspaltungsstichtag*), respectively, which is in each case October 1, 2016, 0:00 h (the "**Economic Effective Date**"). For tax purposes, the Hive-Down and Spin-Off shall have retroactive effect as of the tax transfer effective date (*steuerlicher Übertragungsstichtag*), which is September 30, 2016, 24:00 h.

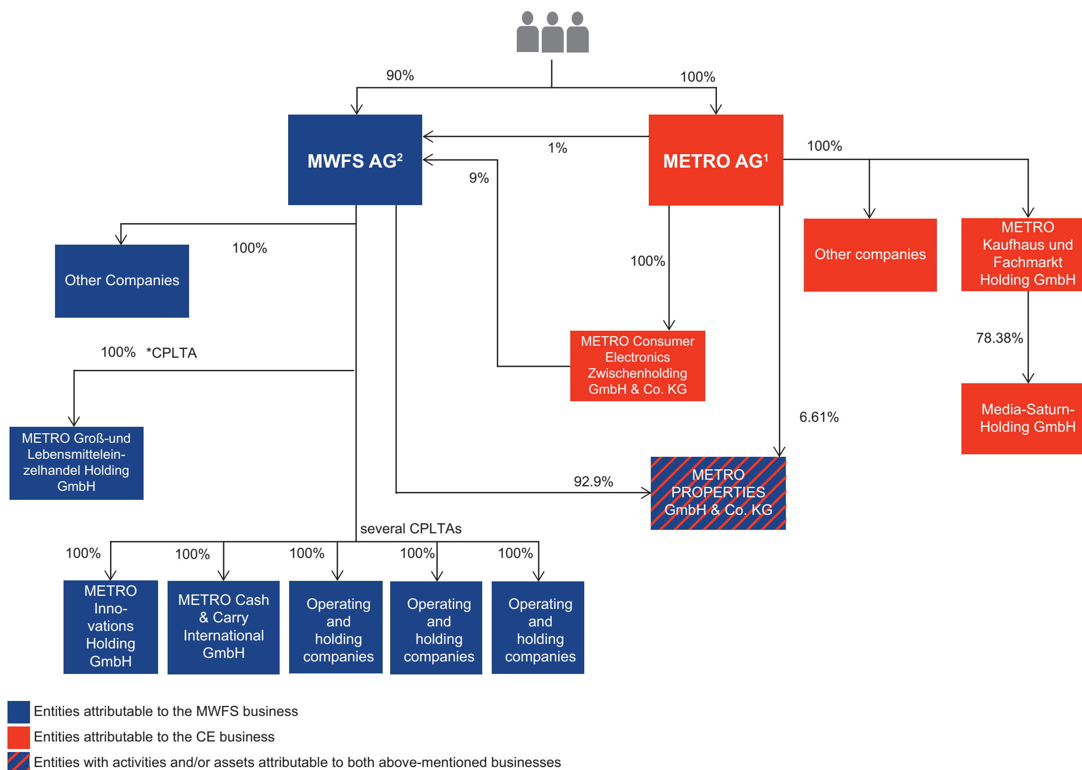
Since the Economic Effective Date, the MWFS Business and the CE Business have provided certain services, in particular, corporate center services, to each other at arm's length remuneration conditions and will continue to do so during a transitional period. Such services will be invoiced between the parties. Certain of such services are intended to be continued

after the Demerger taking effect. The Demerger Agreement provides that service agreements are to be entered into in that regard. For certain obligations regarding financing as agreed in the Demerger Agreement, see*, 16.1.4. "Transactions and Relationships with Related Parties — Transactions and Relationships with the Existing Shareholder and the CE Group — Financing".*

Further provisions regarding the future relationship between MWFS AG and the Existing Shareholder and their respective group companies after the completion of the Demerger in respect of the joint membership in the METRO Group in the past are contained in the group separation agreement (*Konzerntrennungsvertrag*) (the "**Group Separation Agreement**"), which forms an integral part of the Demerger Agreement; see also *11.1.2. "Material Contracts — Agreements Relating to the Demerger — Group Separation Agreement".*

The Hive-Down and the Spin-Off are expected to be registered with the commercial register of the Existing Shareholder in Dusseldorf on or about July 13, 2017 (the final steps by which the Hive-Down and the Spin-Off take effect, respectively). It may, however, occur that these registrations will be executed up to six Trading Days (as defined below) earlier (the date by which both registrations of the Hive-Down and the Spin-Off with the commercial register of the Existing Shareholder will have occured, the "**Registration Date**"). Prior to such registrations, the Hive-Down and the Spin-Off must each be registered with the commercial register of the Company in Dusseldorf, expected to occur prior to the registration with the commercial register of the Existing Shareholder. Also on or about the Registration Date, it is expected that the listing approvals regarding all of the Shares of the Company will be issued by the Frankfurt Stock Exchange and the Luxembourg Stock Exchange. For more details, see *3.6. "— Stock Exchange Admission and Commencement of Trading*" and *3.7. "— Timetable of the Demerger and Listing*".

The following chart illustrates (in simplified and in parts illustrative form and in most cases without showing subsidiaries of the depicted entities) the corporate structure upon completion of the Hive-Down and the Spin-Off:



1 To be renamed "CECONOMY AG".
2 To be renamed "METRO AG".
* CPLTA: Control and profit-and-loss transfer agreement.

3.3. Statutory Auditor for the Spin-Off

Pursuant to an order of the regional court (*Landgericht*) of Dusseldorf dated August 22, 2016, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, Germany ("**Ebner Stolz**"), was appointed as auditor for the Spin-Off. Ebner Stolz confirmed that the Demerger Agreement is complete and correct with respect to the Spin-Off including the allocation ratio (*Zuteilungsverhältnis*) which Ebner Stolz confirmed to be appropriate. The Hive-Down did not require a third-party audit.

3.4. Contributions in Kind and Post-Formation Audit

The issuance of (i) new Shares of the Company to the Existing Shareholder against contribution of parts of the MWFS Business by the Existing Shareholder into MWFS AG by way of the Hive-Down and (ii) new Shares of the Company to the METRO AG shareholders against contribution of parts of the MWFS Business by the Existing Shareholder into MWFS AG by way of the Spin-Off, is in each case effected by way of a capital increase against contribution in kind at the level of MWFS AG. As MWFS AG was created by transforming METRO Wholesale & Food Specialist GmbH, which had been inactive and was reactivated less than two years prior to its transformation, a so called post-formation audit has been carried out. In this regard, the Supervisory Board of MWFS AG has reviewed the Demerger Agreement and prepared a post-formation report on February 1, 2017. Furthermore, by way of an order of the local court (*Amtsgericht*) of Dusseldorf dated November 23, 2016, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, Germany ("**KPMG Cologne**"), was appointed as auditor of each of the contributions in kind and the post-formation contribution for both the Hive-Down and the Spin-Off (*Sacheinlage- und Nachgründungsprüfer*). KPMG Cologne prepared audit reports on the contributions in kind and the post-formation contribution each dated February 2, 2017. The extraordinary general shareholders' meeting of the Company approved both post-formation contributions in kind in connection with its resolutions on the two capital increases on February 10, 2017 (see also, *14.1. "Information on the Share Capital of the Company and Applicable Regulations — Share Capital and Shares").*

3.5. Allocation Ratio, Trustee, Settlement

Upon the Spin-Off becoming effective, the shareholders of the Existing Shareholder will also become shareholders of the Company. In this context, Section 18.1 of the Demerger Agreement provides for an allocation ratio of 1:1. This means that each shareholder of the Existing Shareholder (METRO AG) receives

- for every one (1) no-par value ordinary bearer share of METRO AG (ISIN DE0007257503/German Securities Identification Number (WKN) 725750): one (1) Ordinary Share (ISIN DE000BFB0019/German Securities Identification Number (WKN) BFB 001) representing a *pro rata* amount in the share capital of the Company of EUR 1.00 and granting dividend rights for the full financial year 2016/2017 and for all subsequent financial years; and
- for every one (1) no-par value preference bearer share of METRO AG (ISIN DE0007257537/German Securities Identification Number (WKN) 725753): one (1) Preference Share (ISIN DE000BFB0027/German Securities Identification Number (WKN) BFB 002) representing a *pro rata* amount in the share capital of the Company of EUR 1.00 and granting dividend rights for the full financial year 2016/2017 and for all subsequent financial years.

Deutsche Bank Aktiengesellschaft, Frankfurt ("**Deutsche Bank**"), has been appointed as trustee in connection with the Spin-Off as required by the German Transformation Act (*Umwandlungsgesetz*) (the "**Trustee**"). The Trustee will receive the Shares in the Company allocable to the shareholders of the Existing Shareholder as a result of the Spin-Off for transfer to such shareholders upon the Spin-Off becoming effective. Deutsche Bank has also been appointed as settlement agent for the Spin-Off.

Shareholders of the Existing Shareholder holding shares that are held in collective share custody or are held at a custodian bank in individual share custody do not have to initiate any actions themselves for the purpose of the allocation of Shares in MWFS AG. The allocation of Shares in MWFS AG will be effected for these eligible METRO AG shareholders on the basis of

their holdings of shares in the Existing Shareholder by means of a securities account credit (for individual share custody holdings after presenting the right part of the renewal coupon by the custodian bank). The securities account credit is made by the custodian banks on the basis of the holdings of shares in the Existing Shareholder on the evening of the day on which the Spin-Off takes effect, *i.e.* on the Registration Date, taking into account any open stock exchange transactions. In case of shares in the Existing Shareholder held by shareholders in form of physical certificates, the allocation of Shares in the Company attributable to such shares in the Existing Shareholder will be effected by presenting the right portion of the renewal coupon at Deutsche Bank via a custodian bank. Holders of physical share certificates in the Existing Shareholder (METRO AG) are urged to present the right part of the renewal coupon at Deutsche Bank via a custodian bank as soon as possible after the Demerger has been completed in order to receive the Shares in the Company to which they are entitled. The settlement of the above-described measures is centralized at Deutsche Bank.

The German language version of the notification of allocation (*Zuteilungsbekanntmachung*) substantially as set forth below is expected to be published on the First Day of Trading (as defined below) in the German Federal Gazette (*Bundesanzeiger*):

METRO AG

Dusseldorf

Ordinary Shares: ISIN-Code DE0007257503 // German Securities Identification Number (*Wertpapier-Kenn-Nummer*) 725750

Preference Shares: ISIN-Code DE0007257537 // German Securities Identification Number (*Wertpapier-Kenn-Nummer*) 725753

Allocation of Shares in METRO Wholesale & Food Specialist AG in connection with the Spin-Off

Ordinary Shares: ISIN-Code DE000BFB0019 // German Securities Identification Number (*Wertpapier-Kenn-Nummer*) BFB 001

Preference Shares: ISIN-Code DE000BFB0027 // German Securities Identification Number (*Wertpapier-Kenn-Nummer*) BFB 002

On December 13, 2016, METRO AG as the transferring company and Metro Wholesale & Food Specialist AG as the transferee company entered into a hive-down and spin-off agreement (*Ausgliederungs- und Abspaltungsvertrag*). Pursuant to that agreement, METRO AG shall transfer, among others, various assets by way of a spin-off for assumption pursuant to Section 123(2) no. 1 of the German Transformation Act (*Umwandlungsgesetz*) to METRO Wholesale & Food Specialist AG. As consideration, METRO Wholesale & Food Specialist AG will grant the shareholders of METRO AG, free of charge, new shares in METRO Wholesale & Food Specialist AG. An allocation ratio of 1:1 has been stipulated in the hive-down and spin-off agreement, i.e., the shareholders of METRO AG will receive proportionately, according to their respective shares, one ordinary bearer share with no par value of METRO Wholesale & Food Specialist AG for each ordinary bearer share with no par value of METRO AG and one non-voting preference bearer share with no par value of METRO Wholesale & Food Specialist AG for each non-voting preference bearer share with no par value of METRO AG. By decision of the regional court (*Landgericht*) of Dusseldorf, dated August 23, 2016, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, was selected and appointed as joint expert spin-off auditor (*gemeinsamer sachverständiger Spaltungsprüfer*) for the two companies involved in the spin-off. In the final declaration of his report on the audit of the hive-down and spin-off agreement, dated December 13, 2016, the auditor concluded that the allocation ratio of 1:1 was not objectionable.

The shareholders' meetings of METRO AG and METRO Wholesale & Food Specialist AG approved the hive-down and spin-off agreement on February 6, 2017 and February 10, 2017 respectively. The spin-off was first registered with the commercial register of METRO Wholesale & Food Specialist AG at the local court (Amtsgericht) of Dusseldorf on [■■■], 2017, and with the commercial register of METRO AG at the local court (*Amtsgericht*) of Dusseldorf on [■■■], 2017, thereby becoming effective.

For the completion of the spin-off, METRO Wholesale & Food Specialist AG increased its share capital by EUR 326,787,529.00 to EUR 363,097,253.00 by issuance of 324,109,563 ordinary bearer shares with no par value and 2,677,966 non-voting preference bearer shares with no par value of METRO Wholesale & Food Specialist AG. These new shares will be granted to the shareholders of METRO AG. Each new share with no par value represents a *pro rata* amount of the share capital increase of EUR 1.00. All shares issued by METRO Wholesale & Food Specialist AG are entitled to dividends for the full financial year ending September 30, 2017 and for all subsequent financial years.

Upon effectiveness of the spin-off, approximately 90% of the shares of METRO Wholesale & Food Specialist AG are held by the shareholders of METRO AG. The remaining approximately 10% of the shares of METRO Wholesale & Food Specialist AG are held by METRO AG, among which approximately 1% is directly held by METRO AG and approximately 9% are indirectly held via its subsidiary METRO Consumer Electronics Zwischenholding GmbH & Co. KG.

Allocation Ratio

Upon effectiveness of the spin-off, the shareholders of METRO AG have concurrently become shareholders of METRO Wholesale & Food Specialist AG in the proportion of their respective shareholdings in METRO AG. In this context, Section 17.1 of the hive-down and spin-off agreement stipulates an allocation ratio of 1:1. This means that each shareholder of METRO AG receives

- for one (1) ordinary bearer share with no par value of METRO AG (ISIN DE0007257503 / German Securities Identification Number (WKN) 725750)
- one (1) ordinary bearer share with no par value of METRO Wholesale & Food Specialist AG (ISIN DE000BFB0019 / German Securities Identification Number (WKN) BFB 001) representing a *pro rata* amount of the share capital of EUR 1.00 and granting dividends for the full financial year ending September 30, 2017 and for all subsequent financial years

and

- for one (1) non-voting preference bearer share with no par value of METRO AG (ISIN DE0007257537 / German Securities Identification Number (WKN) 725753)
- one (1) non-voting preference bearer share with no par value of METRO Wholesale & Food Specialist AG (ISIN DE000BFB0027 / German Securities (WKN) BFB 002) representing a *pro rata* amount of the share capital of EUR 1.00 and granting dividends for the full financial year ending September 30, 2017 and for all subsequent financial years.

Trustee

As regards the settlement of the allocation of the shares of METRO Wholesale & Food Specialist AG, Deutsche Bank AG acts as trustee for the shareholders of METRO AG pursuant to Sections 125 sentence 1, 71(1) sentence 1 of the German Transformation Act (*Umwandlungsgesetz*).

Allocation Procedure

As the ordinary bearer shares with no par value and the non-voting preference bearer shares with no par value of METRO AG are held in collective security deposit (*Girosammelverwahrung*) or in separate security deposit (*Streifbandverwahrung*), the shareholders of METRO AG need not take any action in relation to the allocation of the ordinary bearer shares with no par value and the non-voting preference bearer shares with no par value of METRO Wholesale & Food Specialist AG. All shares held in collective security deposit (*Girosammelverwahrung*) will be allotted to the shareholders entitled thereto by crediting the shares to the securities account based on their respective proportion of shares in METRO AG, whereas the shares in METRO Wholesale & Food Specialist AG held in separate security deposit (*Streifbandverwahrung*) will be allotted to the shareholders entitled thereto after submission of the right half of the renewal certificate by the depositary bank. Credit to the deposit will be effectuated by the depositary bank in accordance with the proportion of shares in METRO AG held on [■■■], 2017 in the evening, in consideration of open exchange transactions.

In case shares in METRO AG are held in own custody, the allocation of the according shares in METRO Wholesale & Food Specialist AG will take place upon submission of the right half of the renewal certificate via a depositary bank to the

Deutsche Bank AG,

where the settlement of the above-described measures is centralized. Shareholders holding shares in METRO AG in own custody are requested to submit the right half of the renewal certificate as soon as possible via a depositary bank to Deutsche Bank AG in order to receive the corresponding shares in METRO Wholesale & Food Specialist AG. It is planned to deposit such shares in METRO Wholesale & Food Specialist AG, which have not been requested within a reasonable period of time by submission of the right half of the renewal certificate, at the competent local court (*Amtsgericht*).

As the right of the shareholders of METRO Wholesale & Food Specialist AG to receive certificates for their shares is excluded pursuant to the articles of association, the shares of METRO Wholesale & Food Specialist AG are represented exclusively by permanent global certificates deposited with Clearstream Banking AG, Eschborn. The shareholders of METRO Wholesale & Food Specialist AG hold an interest in this global holding of shares in accordance with their proportional share as co-owners.

Due to the change of the articles of association at the general shareholders' meeting of METRO AG on February 6, 2017, regarding the exclusion of METRO AG shareholders' right to receive certificates for their shares, the implementation of which is expected shortly, METRO AG shareholders holding shares in METRO AG in own custody are recommended to already now submit these shares for credit to the collective security deposit together with the submission of the right half of the renewal certificate to a depository bank.

The allocation of shares in METRO Wholesale & Food Specialist AG will be effected at no cost (commissions or out-of-pocket expenses) for the shareholders, provided that the shareholders maintain a securities account in Germany.

Admission to Stock Exchange Trading and First Day of Listing

The listing prospectus of Metro Wholesale & Food Specialist for the admission to stock exchange trading was approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) on June 26, 2017. The listing prospectus relating to 360,121,736 ordinary shares and 2,975,517 preference shares of METRO Wholesale & Food Specialist AG is available online at http://www.metroag.de/en/investors/publications. Printed versions of the prospectus are available free of charge at METRO Wholesale & Food Specialist AG, Investor Relations, Metro-Straße 1, 40235 Dusseldorf (E-Mail: investorrelations@metro.de; Fax: (+49) (0)211 6886 3759).

The 360,121,736 ordinary shares and 2,975,517 preference shares of METRO Wholesale & Food Specialist AG were admitted to the regulated market segment of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange on [■■■], 2017. Admission to the Luxemburg Stock Exchange occurred on [■■■], 2017.

Trading in the 360,121,736 ordinary shares and 2,975,517 preference shares of METRO Wholesale & Food Specialist AG is expected to commence on [■■■], 2017.

With effect from [■■■], 2017, the shares in METRO AG will be listed on the regular market of the stock exchanges in Frankfurt am Main and Dusseldorf "ex spin-off".

Dusseldorf, in July 2017 METRO AG

The Management Board

Since the right of the shareholders of MWFS AG to individual share certificates is excluded by the Articles of Association, the Shares of MWFS AG are evidenced exclusively by permanent global certificates (*Globalurkunden*) deposited at Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany.

3.6. Stock Exchange Admission and Commencement of Trading

On or about June 26, 2017, the Company, together with BofA Merrill Lynch and J. P. Morgan, expects to apply for admission of the Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard). On or about June 26, 2017, the Company expects to apply for admission of its Shares to trading on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*).

An admission decision for each stock exchange is expected to be announced on or about the Registration Date. The decision on the admission of the Shares to trading will be made solely in the discretion of the Frankfurt Stock Exchange and the Luxembourg Stock Exchange, respectively. Trading on the Frankfurt Stock Exchange and the Luxembourg Stock Exchange is expected to commence on or about the next Trading Day following the Registration Date (the "**First Day of Trading**"), whereas "**Trading Day**" means any day on which any trading venue at the Frankfurt Stock Exchange is open for business.

3.7. Timetable of the Demerger and Listing

The following is the anticipated timetable for the Demerger and the Listing:

June 26, 2017	Approval of the Prospectus by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*; the "**BaFin**"). Notification of the approved Prospectus to the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*, "**CSSF**"). Publication of the approved Prospectus on the Company's website. Applications for listing filed with the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Luxembourg Stock Exchange (*Bourse de Luxembourg*)
Registration Date (expected on or around July 13, 2017, or up to six Trading Days earlier)	Registration of the Hive-Down and Spin-Off with the commercial register of the Existing Shareholder. Capital increases in connection with the Hive-Down and the Spin-Off become effective. Issuance of the global certificates representing the Shares derived from the capital increases in relation to the Hive-Down and the Spin-Off to the Trustee in accordance with Sections 125 sentence 1 and 71 (1) sentence 1 of the German Transformation Act (*Umwandlungsgesetz*). Listing approvals issued by the Frankfurt Stock Exchange and the Luxembourg Stock Exchange.
First Day of Trading	Credit of the Shares in MWFS AG to METRO AG shareholders' accounts with custodian banks according to the Demerger allocation ratio (based on the securities account balances as of the Registration Date, in the evening) and with respect to the Shares in MWFS AG derived from the Hive-Down (approximately 1.0% of the total share capital of MWFS AG as will exist immediately following the completion of the Demerger) to METRO AG's account with a custodian bank. First day of trading of the Shares; METRO AG shares will trade "ex Demerger".
First Day of Trading plus one Trading Day	Technical record date at Clearstream Banking AG level.
First Day of Trading plus two Trading Days	Settlement date at Clearstream Banking AG level; subsequently settlement of trades in Shares of MWFS AG and shares in METRO AG since First Day of Trading.

3.8. Designated Sponsors

Equinet Bank AG will assume the function of designated sponsor of the Shares traded on the Frankfurt Stock Exchange. Pursuant to the designated sponsor agreements between the Company and the equinet Bank AG, the designated sponsor will, among other things, place limited buy and sell orders for Shares in the electronic trading system of the Frankfurt Stock Exchange during regular trading hours. This is intended to achieve greater liquidity in the market for the Shares.

3.9. Interests of Parties Participating in the Listing and Demerger

In connection with the Listing and the Demerger, the Listing Agents are in a contractual relationship with the Company and the Existing Shareholder. The Listing Agents are advising the Company and the Existing Shareholder in the course of the Demerger. Additionally, Deutsche Bank, appointed as the Trustee in the context of the Demerger, is in a contractual

relationship with the Existing Shareholder. Deutsche Bank may receive a discretionary fee in addition to its base fee upon successful completion of the transaction. As a result of these contractual relationships, the Listing Agents and Deutsche Bank have a financial interest in the success of the Listing.

In addition, the Listing Agents and Deutsche Bank and/or their affiliates have had, and may in the future continue to have, from time to time, business relations with us or the Existing Shareholder (including lending activities) or may perform services for us or the Existing Shareholder in the ordinary course of business. For example, both Listing Agents and Deutsche Bank have, among other things, provided loans or bilateral credit commitments to certain companies of the METRO Group and/or the MWFS Group, see also *11.2.5. "Material Contracts — Financing Agreements — Other Financial Agreements*". One of the Listing Agents and Deutsche Bank, or certain of their respective affiliates, are parties to the existing syndicated loan agreement. In addition, the Listing Agents and Deutsche Bank, or certain of their respective affiliates, will hold a stake in one or both of the Revolving Facility Agreements (as defined below), see *11.2.1. "Material Contracts —Financing Agreements —Syndicated Revolving Credit Facilities*" and Deutsche Bank acts as arranger for a debt issuance program and a commercial paper program, see *11.2.3. "Material Contracts — Financing Agreements — Bonds"* and *11.2.4. "Material Contracts — Financing Agreements — Commercial Paper Program".*

Furthermore, following the Listing, each of the Listing Agents and Deutsche Bank and any of their respective affiliates, acting as an investor for its own account, may acquire Shares and in that capacity may retain, purchase or sell for its own account such securities and any Shares or related investments and may offer or sell such Shares or other investments. In addition, certain of the Listing Agents or Deutsche Bank or their affiliates may enter into financing arrangements (including swaps) with shareholders in connection with which such Listing Agents or Deutsche Bank (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Listing Agents or Deutsche Bank intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do.

In connection with their past and existing service agreements with the Existing Shareholder, all four members of our Management Board currently hold rights under short-term and long-term incentive programs. If these programs will not terminate according to the terms of the respective program until the time of the effectiveness of the Hive-Down and Spin-Off, they will be settled early – either fully or partially – following the Demerger. To the extent such programs will not be settled early, the respective program will be rolled over to the Company. For additional information, *see 15.2.3.5. "Governing Bodies — Management Board — Compensation and Other Benefits; Share Ownership — Payments related to the Demerger".*

To the extent that the members of our Management Board or our Supervisory Board directly or indirectly will hold Shares in the Company upon the effectiveness of the Spin-Off, they may, separately from their positions in the governing body, have special interests as a result of their shareholdings. No conflicts or potential conflicts exist with regard to obligations owed to the Company as of the date of the Prospectus that could result from their private interests or other obligations. However, certain members of our Management Board and of our Supervisory Board currently still hold offices at our Existing Shareholder, some of which, however, will be terminated upon the effectiveness of the Spin-Off. Four members of our Supervisory Board are expected to remain supervisory board members of the Existing Shareholder after the completion of the Demerger. Furthermore, two members of our Supervisory Board simultaneously serve on management boards (one member of our Supervisory Board on each management board) of two of the main shareholder groups of the Existing Shareholder (who will, upon the effectiveness of the Spin-Off, become shareholders in the Company). For additional information, see *15.2.3.6. "Governing Bodies — Management Board — Compensation and Other Benefits; Share Ownership — Direct and/or indirect Shareholdings", 15.3.4. "Governing Bodies — Supervisory Board — Compensation and Other Benefits; Share Ownership"* and *15.4 "Governing Bodies — Certain Information on the Members of the Management Board and the Supervisory Board".*

The Existing Shareholder has an interest in the Demerger as it will retain a minority interest in the Company after the completion of the Demerger. With regard to indirect advantages in

connection with the Demerger expected by the Existing Shareholder and the Company, see *4.1. "Reasons for the Demerger and Listing and Cost of the Demerger and Listing — Reasons for the Demerger and Listing".*

3.10. Shareholders' equity

The carrying amount of the net assets attributable to the METRO Group and other components of the equity (*i.e.*, together the net book value) based on the Unaudited Condensed Combined Interim Financial Statements amounted to EUR 3,212 million as of March 31, 2017, and would amount to EUR 8.75 per share, based on 363,097,253 outstanding Shares as will exist immediately following the completion of the Demerger.

3.11. Listing Agreement, Fees, Indemnity, Lock-up

In connection with the Demerger and the Listing, the Company, the Existing Shareholder and the Listing Agents have entered into a listing agreement dated the date of the Prospectus (the "**Listing Agreement**"). In addition, the Existing Shareholder and the Company have entered into a share settlement agreement with Deutsche Bank who will act as a trustee within the meaning of Sections 125 sentence 1 and 71 (1) sentence 1 of the German Transformation Act (*Umwandlungsgesetz*). In connection with the Demerger and the Listing, we have agreed to pay to the Listing Agents a fees (including discretionary fees and performance fees) of up to EUR 18 million in the aggregate and Deutsche Bank a fixed fee of EUR 850 thousand in the aggregate and a discretionary fee of up to EUR 400 thousand. See also *4.2.* "*Reasons for the Demerger and Listing and Cost of the Demerger and Listing — Costs of the Demerger and Listing*".

The Company and the Existing Shareholder have agreed in the Listing Agreement to indemnify the Listing Agents against certain liability obligations that may arise in connection with the Demerger and the Listing. Internally, the Company and the Existing Shareholder have agreed in the Demerger Agreement to share certain indemnity risks in the relationship between the Existing Shareholder and the Company in relation to liability in connection with the Listing in a proportion of 15% and 85%.

The Existing Shareholder, which will directly and indirectly hold an interest of approximately 10.0% in the Company immediately after the completion of the Demerger, has also assumed holding obligations (so-called lock-up) in favor of the Company regarding the Shares in the Company. The Existing Shareholder has assumed a holding obligation for a period of six months after the first day of trading of the Shares in the Company on the Frankfurt Stock Exchange in favor of the Company regarding Shares in the Company currently indirectly held, which will amount to a future shareholding of approximately 9.0%. The Existing Shareholder has assumed a further holding obligation for a period of seven years and one day after September 30, 2016, 24:00h, regarding the Shares in the Company it will receive in the course of the capital increase as part of the Hive-Down, which will amount to a future shareholding of approximately 1.0%, in both cases immediately after the Hive-Down and Spin-Off take effect.

As of the date of the Prospectus, the Existing Shareholder had three main shareholder groups: In each case based on the last available voting rights notification, Franz Haniel & Cie. GmbH and affiliated entities ("**Haniel**") held approximately 24.996% of the voting rights in the Existing Shareholder, Dr. Michael Schmidt-Ruthenbeck and affiliated entities ("**Schmidt-Ruthenbeck**") held approximately 15.772% in the Existing Shareholder and Prof. Dr. Otto Beisheim Stiftung and affiliated entities ("**Beisheim**") held approximately 9.100% of the voting rights in the Existing Shareholder. Each of the aforementioned main shareholder groups of the Existing Shareholder (Haniel with a future shareholding in the Company of approximately 22.496%, Schmidt-Ruthenbeck with a future shareholding in the Company of approximately 14.194% and Beisheim with a future shareholding in the Company of approximately 8.19%, in each case immediately after the completion of the Demerger and based on the aforementioned information) has agreed, subject to certain exceptions, *vis-à-vis* the Existing Shareholder with contents customary in the market that they will not, either directly or indirectly, sell, market, transfer or dispose otherwise of Shares or other securities of the Company until the end of a period of three months after the first day of trading of the Shares of the Company on the Frankfurt Stock Exchange.

4. REASONS FOR THE DEMERGER AND LISTING AND COST OF THE DEMERGER AND LISTING

4.1. Reasons for the Demerger and Listing

We believe that the division of the METRO Group will give us the necessary entrepreneurial flexibility to adjust our strategic focus and business model to the changing circumstances in the market in a timely manner. Furthermore, we expect that the direct access to the capital markets will give us the benefit of additional sources for financing. The following aspects, among others, argue in favor of a separation in the interest of the MWFS Group:

- Upon becoming independent, we will no longer be tied to the METRO Group and its structures. We believe the Demerger to be the next step in the transformation of the METRO Group launched in 2012 with a view to gearing the strategy of the METRO Group and its sales lines strictly to the respective customer groups, which was implemented to address the changes in the market environment. This transformation process, including portfolio adjustments, resulted in two businesses – the MWFS Business and the CE Business – which are quite different in terms of products, customers, markets, strategies and competitors, among other factors, co-existing under a conglomerate structure and with only insignificant synergies. We believe that the separation will provide a better framework to implement our own strategy. We expect that this will enable us to secure and expand our position in the markets in which we are present with greater entrepreneurial freedom. We also expect that our Group will be able to use the newly gained independence to more effectively react to the dynamics in the wholesale and retail market segments in which we are present with simplified and more efficient decision-making and reporting processes (especially in regard to capital allocation, acquisition strategy or investment budget), independently from the requirements of the remaining CE Business. We believe that this independence will allow us to focus exclusively on our own relevant markets with greater customer focus, addressing even more directly the customer needs in a market environment which is undergoing fundamental changes including, *inter alia*, increased market transparency in favor of the customer as a result of increased digitalization. Thus, we expect that we will be able to better adapt to the changing requirements of the markets and more quickly implement the required measures, for example, by focusing on new trends, innovations and solutions. We also believe that the new focus on one business (MWFS) will result in enhanced efficiency and transparency, a more focused business portfolio and a more homogeneous risk profile than was the case under the former structure of the METRO Group. Since companies with a single-business focus are often favored by the capital markets, we expect that the separation will also be positively reflected in the share price in the medium term, assuming unchanged framework conditions.
- As part of the METRO Group, we have only very limited options for obtaining external capital independently and are dependent on the allocation of funding within the corporate group. This allocation depends on a large number of factors, for example, potential for synergies with other activities of the METRO Group as well as the strategic importance of the financed part of the corporate group for the METRO Group overall. Direct access to the capital markets will give an independent MWFS Group the possibility to independently access financing in a manner appropriate for its situation and to be able to decide about using the financing funds without having to undergo the additional approval requirements that are necessary in a large, heterogeneous corporate group such as the METRO Group. Thus, the Demerger increases the entrepreneurial flexibility and facilitates the implementation of attractive investment opportunities, including entering into partnerships or potential acquisitions of enterprises.
- We believe that our own regular reporting and the investor relations work following the Listing will allow us to better define our business profile, sharpen our perception by the general public and represent our position in the markets in a transparent and more accurate manner during this important phase of change. We also believe that apart from this improved transparency on the capital markets and with respect to customers and the public, the separation will also strengthen the internal and external identity of our Group.

We believe that these advantages can be best achieved by separating the MWFS Business from the CE Business via the Demerger as:

- We believe that the Demerger allows us to separate the METRO Group to the greatest extent possible, with shares being distributed directly to the shareholders allowing for separate investment decisions on their respective interest in both companies.
- We also believe that the completion of the Demerger does not depend on a positive capital markets environment as the Demerger and the Listing will follow a clearly defined schedule and not include a market-induced discount for the shareholders.
- According to the joint assessment of the management board of the Existing Shareholder and the Management Board of the Company set forth in the joint demerger report, the separation by way of the Demerger of the MWFS Business poses less transaction risks than a potential demerger of the CE Business due to restrictions on transferability of the CE Business. In addition, a Demerger by way of absorption is technically more feasible from a legal and tax perspective than a demerger by way of transfer of assets to a newly founded entity (*Spaltung zur Neugründung*). In particular, using MWFS AG as the receiving entity allows us to maintain, and use in the future, corporation and trade tax losses forwards amounting to approximately EUR 5.6 billion in the aggregate.

4.2. Costs of the Demerger and Listing

We estimate that the total costs of the Demerger and Listing and their implementation will amount to approximately EUR 100 million.

The costs of the Demerger and Listing include, *inter alia*, costs for external advice (in particular by investment banks, legal and tax advisory, auditors / appraisers and strategy consultants), audit fees (auditors), transaction costs, costs for notarial recording, costs in relation to general shareholders' meetings, costs for filings with the commercial register and costs of the planned stock exchange admissions, including their preparation.

The Company and the Existing Shareholder have agreed to share the costs of the Demerger and Listing in a certain proportion. The Existing Shareholder shall bear all costs of its general shareholders' meeting and all costs for advisers, to the extent that their advisory relationships form part of the assets remaining with the Existing Shareholder according to the Demerger Agreement. All other costs of the Demerger and Listing will be borne by the Company. We estimate that the Company and MWFS Group will be bear approximately 98% of the total costs of the Demerger and Listing. Of these costs, EUR 44.6 million had been incurred as of March 31, 2017 and were hence reflected in the Combined Financial Statements (EUR 24.1 million in the financial year 2015/2016 and EUR 20.5 million in the six-month period ended March 31, 2017). In addition, there were tax charges in a low single-digit million range as of March 31, 2017.

Moreover, the members of our Management Board and a considerable number of our other managers are expected to receive payments in connection with the (partial) early settlement of long-term and short-term incentive programs at the Existing Shareholder granted under their respective service and employment contracts since 2013. We expect costs related thereto in an aggregate amount in the mid double-digit EUR million range of which we will assume the vast majority. For information on payments to the members of our Management Board (as defined below) in connection with the abovementioned early (partial) settlement of long-term and short-term incentive programs, see *15.2.3.5. "Governing Bodies — Management Board — Compensation and Other Benefits; Share Ownership — Payments related to the Demerger"*.

Investors will not be charged with expenses by the Company, the Existing Shareholder or the Banks in connection with their role as Listing Agents. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institution.

5. DIVIDEND POLICY

5.1. General Rules on Allocation of Profits and Dividend Payments

Shareholders have a share in the Company's distributable profits determined in proportion to their interest in the Company's share capital. The participation of new shares in the profits may be determined in a different manner.

Distributions of dividends on the Shares for a given financial year are generally determined by a process in which the Management Board and the Supervisory Board submit a proposal for the distribution of dividends to the annual general shareholders' meeting held within the first eight months of the subsequent financial year. The general shareholders' meeting then adopts a resolution on such distribution with simple majority of the votes cast without being bound by the proposal of the Management Board and the Supervisory Board. Pursuant to German law, dividends can only be resolved upon and paid if the unconsolidated financial statements of the Company show distributable profits (*Bilanzgewinn*). Compared to the Company's Combined Financial Statements, which are prepared in accordance with IFRS as adopted by the EU, the annual financial statements are prepared in accordance with the accounting principles of the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law. These accounting regulations differ from IFRS in material respects. The unconsolidated financial statements of the Company are approved by the Management Board and the Supervisory Board unless the Management Board and the Supervisory Board refer the approval to the general shareholders' meeting. In determining the distributable profits, the profit or loss for the period is adjusted for profits or losses carried forward from previous financial years as well as for withdrawals from and transfers to reserves. Certain reserves must be formed by law and must be deducted when calculating the distributable profits. Subject to certain statutory restrictions, the general shareholders' meeting is entitled to transfer additional amounts to the reserves or carry them forward. Pursuant to the Articles of Association and subject to applicable statutory law, the general shareholders' meeting may resolve to pay dividends in kind (*Sachdividende*) in accordance with Section 58 (5) of the German Stock Corporation Act (*Aktiengesetz*) in addition to or in lieu of a cash distribution. If the Management Board and the Supervisory Board approve the unconsolidated financial statements, they may, pursuant to Section 58 (2) of the German Stock Corporation Act (*Aktiengesetz*), transfer 50% of the profit for the period remaining after deducting any transfers to statutory reserves and any losses carried forward to non-statutory reserves.

The holders of Preference Shares will receive from the annual net earnings a preferred dividend of EUR 0.17 per each of the Preference Shares. Should the net earnings available for distribution not suffice in any one financial year to pay the preferred dividend, the arrears (excluding any interest) shall be paid from the net earnings of future financial years in an order based on age, *i.e.,* in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a financial year are not distributed until any accumulated arrears have been paid in full. After the preferred dividend has been distributed, the holders of Ordinary Shares will receive a dividend of EUR 0.17 per each of the Ordinary Shares. Thereafter, an extra dividend will be paid to the holders of Preference Shares. The extra dividend shall amount to 10% of such dividend as will be paid to the holders of Ordinary Shares provided that as such dividend equals or exceeds EUR 1.02 per each of the Ordinary Shares. The holders of Preference Shares and Ordinary Shares will equally share in any additional profit distribution in the proportion of their shares in the capital stock.

Dividends resolved by the general shareholders' meeting are due and payable on the third business day after the relevant general shareholders' meeting, unless a later maturity is provided for in the dividend resolution, in compliance with the rules of the respective clearing system. Pursuant to German law, dividend claims are generally subject to a three-year statute of limitation.

The Shares will be entitled to profit participation beginning October 1, 2016, *i.e.*, for the full financial year 2016/2017 and for all subsequent financial years. The dividends will be paid out in accordance with the rules of the clearing system of Clearstream Banking AG. Details on dividend payments and the respective paying agent will be published in the German Federal Gazette (*Bundesanzeiger*) after the general shareholders' meeting. Neither German law nor the Articles of Association provide for a special procedure for the exercise of dividend rights by shareholders not resident in Germany.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends see *18.2.3.* "*Taxation in Germany — Taxation of Shareholders — Taxation of Dividends*", *19.1.* "*Taxation in Luxembourg — Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Resident Taxpayers*" and *19.2.* "*Taxation in Luxembourg — Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Non-resident Taxpayers*".

5.2. Dividend Policy and Earnings per Share

The Company intends to begin paying dividends in respect of the financial year 2016/2017. Depending on the results of operations of the Group, the Management Board intends to propose to the general shareholders' meeting of the Company to resolve the payment of a dividend with an average pay-out ratio ranging between 45% and 55% of earnings per share (as shown in the audited consolidated financial statements of MWFS Group) for the respective financial year from the financial year ending on September 30, 2018 onwards. For the financial year 2016/2017, the Management Board intends to propose to the general shareholders' meeting of the Company to resolve the payment of a dividend with a pay-out ratio ranging between 45% and 55% of earnings per share (as shown in the audited consolidated financial statements of MWFS Group) before special items. However, the decision on whether and in what amount dividends are to be distributed will depend on a series of factors, including the level of distributable profit for the year, market developments, the investment policy, the Company's rating status, the financing needs of the Group at the time as well as the respective resolution to be adopted by the Company's shareholders' meeting and no assurance can be given that the Company will achieve sufficient distributable profits for a distribution in the future. As the Company does not conduct any operating business itself its ability to pay dividends depends substantially on its operating subsidiaries and affiliates making profits and distributing these to the Company or transferring them to the Company via existing profit and loss transfer agreements. Furthermore, the Group's existing financing agreements include and the future financing agreements may include financial covenants that may indirectly restrict the amount of cash available for the payment of dividends.

We can make no predictions as to the size of future profits available for distribution, or whether distributable profits will be achieved at all, and hence we cannot guarantee that dividends will be paid in the future. Moreover, our results of operations as set out in the Combined Financial Statements may not be necessarily indicative of the results that should be expected in the future or amounts of future dividend payments.

The table below shows our combined profit or loss for the period and our corresponding Earnings Per Share for the financial years 2015/2016, 2014/2015 and 2013/2014 (based on the Audited Combined Financial Statements):

	Financial year		
	2015/2016	**2014/2015**	**2013/2014**
	(audited, except as otherwise indicated)		
Combined profit or loss for the period in EUR million	519	265	56
Earnings Per Share, in EUR[1]	1.39	0.70	0.11

[1] Figures based on an assumed number of 363,097,253 Shares, which corresponds to the number of shares of the Company as will exist immediately following the completion of the Demerger.

6. CAPITALIZATION AND INDEBTEDNESS

6.1. Capitalization

The following table shows an overview of our combined capitalization (including total debt) as of March 31, 2017 derived from the Unaudited Condensed Combined Interim Financial Statements:

(in EUR million)	As of March 31, 2017 (unaudited)
Total current debt[1]	**8,035**
of which, guaranteed	872
of which, secured[2]	4
of which, unguaranteed/unsecured	7,158
Total non-current debt (excluding current portion of long-term debt)[3]	**4,764**
of which, guaranteed	8
of which, secured[2]	28
of which, unguaranteed/unsecured	4,728
Total debt[4]	**12,798**
Shareholders' equity[5]	**3,254**
of which, net assets attributable to METRO Group	3,885
of which, other components of equity attributable to METRO Group	(673)
of which, non-controlling interests	42
Total capitalization[6]	**16,053**

1 Total current debt is shown as current liabilities in the combined balance sheet of the Unaudited Condensed Combined Interim Financial Statements and includes current borrowings, current other financial and non-financial liabilities, income tax liabilities, trade liabilities and current provisions. For a separate presentation of the current financial debt see *6.2.* "*— Net Financial Indebtedness*".

2 Securities related to assets pledges, *i.e.* third-party encumbrances on our real estate property as further described under *10.19.1. "Business — Real Estate and Leases — Real Estate".*

3 Total non-current debt is shown as non-current liabilities in the combined balance sheet of the Unaudited Condensed Combined Interim Financial Statements and includes non-current borrowings, non-current other financial and non-financial liabilities, deferred tax liabilities, other provisions and provisions for post-employment benefit plans and similar obligations. For a separate presentation of non-current financial indebtedness see *6.2.* "*— Net Financial Indebtedness*".

4 Total debt represents the sum of total current debt and total non-current debt.

5 Since the MWFS Group, as of the date of the Unaudited Condensed Combined Interim Financial Statements, did not constitute a legal group of entities in accordance with IFRS 10, no parent company exists. As the parent company's components of equity cannot form the basis of the presentation of equity, in the Combined Financial Statements, there is no share capital and no capital reserve of the parent company and no profit or loss reserve as in the case of consolidated financial statements. This will only change after the completion of the Demerger once we prepare and publish our own consolidated (rather than combined) financial statements.

6 Total capitalization represents the sum of total debt and shareholders' equity.

6.2. Net Financial Indebtedness

The following table shows an overview of our net financial indebtedness as of March 31, 2017 derived from the Unaudited Condensed Combined Interim Financial Statements and the Company's accounting records:

(in EUR million)	As of March 31, 2017 (unaudited)
A. Cash[1]	62
B. Cash equivalents[2]	1,173
C. Trading securities[3]	30
D. Liquidity (A)+(B)+(C)	**1,266**
E. Current financial receivables[4]	844
F. Current bank debt[5]	175
G. Current portion of non-current debt[6]	0
H. Other current financial debt[7]	2,059
I. Current financial debt (F)+(G)+(H)	**2,233**
J. Net current financial indebtedness (I)-(E)-(D)	**123**
K. Non-current bank loans[8]	144
L. Bonds issued[9]	2,393
M. Other non-current loans[10]	1,157
N. Non-current financial indebtedness (K)+(L)+(M)	**3,694**
O. Net financial indebtedness (J)+(N)	**3,818**

[1] Cash is shown as cheques and cash on hand in the Unaudited Condensed Combined Interim Financial Statements.

[2] Cash equivalents are the sum of bank deposits (including sight accounts) and other financial assets with short-term liquidity (remaining term of less than three months) as shown in the Unaudited Condensed Combined Interim Financial Statements.

[3] Trading securities are short-term financial investments which are recognized in the combined balance sheet as shown in the Unaudited Condensed Combined Interim Financial Statements within other (current) financial and non-financial assets. The definition and amount of "trading securities" corresponds to the line "short-term financial investments" in the net debt table as disclosed in the Unaudited Condensed Combined Interim Financial Statements.

[4] Current financial receivables are the sum of financial assets and other financial assets as shown in the Unaudited Condensed Combined Interim Financial Statements (excluding "trading securities" included in C. above).

[5] Current bank debt is shown as current liabilities to banks in the Unaudited Condensed Combined Interim Financial Statements.

[6] Current portion of non-current debt is included in current debt (*i.e.,* borrowings) in the Unaudited Condensed Combined Interim Financial Statements and the amounts are therefore reflected in F. and H. above.

[7] Other current financial debt is the sum of current borrowings (including current bonds) and current other financial liabilities as shown in the Unaudited Condensed Combined Interim Financial Statements.

[8] Non-current bank loans are shown as non-current liabilities to banks in the Unaudited Interim Condensed Combined Financial Statements.

[9] Bonds issued (non-current portion only) are shown as bonds within borrowings (non-current) in the Unaudited Condensed Combined Interim Financial Statements.

[10] Other non-current loans are the sum of non-current promissory note loans, non-current other borrowings, non-current liabilities from finance leases and non-current other financial liabilities as shown in the Unaudited Condensed Combined Interim Financial Statements.

6.3. Off-Balance Sheet Commitments/Contingent Liabilities

As of March 31, 2017 we had contingent liabilities of EUR 64 million on aggregate. These contingent liabilities were in connection with guarantee and warranty contracts in the amount of EUR 52 million and suretyships and guarantees in the amount of EUR 12 million. As of September 30, 2016, 2015 and 2014, our contingent liabilities amounted on aggregate to EUR 69 million, EUR 70 million and EUR 89 million, respectively.

For further information on other financial liabilities and other liabilities see also *8.8.7. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations — Liquidity and Capital Resources — Financial and Other Liabilities"*.

6.4. Working Capital Statement

We are of the opinion that we are in a position to meet the payment obligations that become due within at least the next twelve months from the date of the Prospectus.

6.5. No Significant Change

Between March 31, 2017 and the date of the Prospectus, there have been no significant changes in our financial or trading position. For information on current trading and management's view on full-year trends, see *21*. "*Recent Developments and Outlook*".

7. SELECTED FINANCIAL AND OTHER INFORMATION

The following selected financial and other information of the Group as of September 30, 2016, 2015 and 2014 and for the financial years 2015/2016, 2014/2015 and 2013/2014, (i) if presented as "audited", is taken from our Audited Combined Financial Statements and, (ii) if presented as "unaudited", is either derived from our Audited Combined Financial Statements, or taken or derived from our accounting records or our management reporting. The selected financial and other information of the Group as of March 31, 2017, and for the six-month periods 2016/2017 and 2015/2016 is taken or derived from our Unaudited Condensed Combined Interim Financial Statements, our accounting records or our management reporting, and is presented as "unaudited".

The Audited Combined Financial Statements were prepared by METRO AG in accordance with IFRS, as adopted by the European Union and reflect the economic activities of the MWFS Group which was under common control of METRO AG during the reporting periods presented in these Audited Combined Financial Statements. The Audited Combined Financial Statements were audited by KPMG (as defined below), who issued an unqualified auditor's report thereon as included in the section 20. "Financial Information" of the Prospectus beginning on page F-1. The Unaudited Condensed Combined Interim Financial Statements were prepared by METRO AG in accordance with IFRS, as adopted by the European Union for interim financial reporting (IAS 34) and reflect the economic activities of the MWFS Group which was under common control of METRO AG during the reporting periods presented in these Combined Financial Statements. For further information on the Combined Financial Statements, see also 8.3.1. "— Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations — Presentation of Financial Information — Basis of Preparation of our Combined Financial Statements" and 2.5. "General Information — Documents Available for Inspection".

Some of the following figures, financial measures and adjustments are not presented in accordance with IFRS or any other generally accepted accounting principles nor have these measures been reviewed by an outside consultant, expert or auditor. Unless otherwise noted, all of these Non-IFRS Measures are derived from our accounting records or our management reporting. Figures based on Data Warehouse are statistical and are prepared using a self-reporting customer classification system. For sales figures per customer group (i.e., HoReCa, Trader and SCO), such figures exclude non-strategic product categories (including tobacco, petrol and empties). Thus, deviations from financial information as reported in the Combined Financial Statements may occur. All Non-IFRS Measures are defined by us and may not be comparable to similar measures used by other companies. For the definition of the Non-IFRS Measures included in the Prospectus, see 2.8. "General Information — Note Regarding Non-IFRS Measures".

All of the financial data presented in the text and tables below are shown in millions of Euro, except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in the following tables may not correspond in all cases to the corresponding rounded amounts contained in the following tables. Furthermore, those rounded figures may not add up exactly to the totals contained in the tables.

Our historical results are not necessarily indicative of the results that should be expected in the future, and our interim results are not indicative of the results that should be expected for the full year or any other period. Investors should read the following section together with the additional financial information contained in the Prospectus, in particular, in the sections on 1. "Risk Factors", 3. "The Demerger and Listing", 4. "Reasons for the Demerger and Listing and Cost of the Demerger and Listing", 6. "Capitalization and Indebtedness", 8. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations" and 10. "Business" contained in the Prospectus, as well as in the financial statements including the related notes therein, in the section 20. "Financial Information" of the Prospectus.

7.1. Selected Financial Information from the Combined Income Statement

The following table shows selected financial information from our combined income statement for the six-month periods 2016/2017 and 2015/2016, and for the financial years 2015/2016, 2014/2015 and 2013/2014:

(in EUR million)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
Sales	**18,608**	**18,515**	**36,549**	**37,496**	**38,970**
Cost of sales	(15,095)	(14,976)	(29,560)	(30,421)	(31,668)
Gross profit on sales	**3,513**	**3,539**	**6,989**	**7,075**	**7,302**
Other operating income	562	938	1,462	1,264	1,357
Selling expenses	(3,030)	(3,061)	(6,171)	(6,350)	(6,680)
General administrative expenses	(483)	(486)	(1,058)	(992)	(861)
Other operating expenses	(65)	(58)	(105)	(137)	(119)
Earnings before interest and taxes EBIT	**504**	**874**	**1,219**	**860**	**999**
Net financial result	**(75)**	**(207)**	**(325)**	**(394)**	**(530)**
Combined earnings before taxes EBT	**429**	**667**	**894**	**466**	**469**
Combined profit or loss for the period after taxes	**179**	**333**	**519**	**265**	**56**

7.2. Selected Financial Information from the Combined Balance Sheet

The following table shows selected financial information from our combined balance sheet as of March 31, 2017 and as of September 30, 2016, 2015 and 2014:

(in EUR million)	As of March 31,	As of September 30,		
	2017	2016	2015	2014
	(unaudited)	(audited)		
Non-current assets	**9,545**	**9,434**	**9,284**	**9,396**
Goodwill	881	852	804	651
Property, plant and equipment	7,025	6,979	6,833	7,250
Deferred tax assets	524	509	583	537
Current assets	**6,508**	**6,558**	**9,441**	**7,707**
Inventories	3,309	3,063	3,117	3,224
Other financial and non-financial assets	1,314	1,280	2,115	1,941
Cash and cash-equivalents	1,236	1,599	3,436	1,512
Assets	**16,053**	**15,992**	**18,725**	**17,103**
Equity	**3,254**	**2,924**	**2,651**	**826**
Non-current liabilities	**4,764**	**4,954**	**5,834**	**5,209**
Borrowings	3,671	3,796	4,714	4,163
Current liabilities	**8,035**	**8,114**	**10,240**	**11,068**
Trade liabilities	4,601	4,892	5,011	5,218
Borrowings	1,497	944	2,961	3,425
Other financial and non-financial liabilities	1,098	1,591	1,459	1,490
Equity and liabilities	**16,053**	**15,992**	**18,725**	**17,103**

7.3. Selected Financial Information from the Combined Cash Flow Statement

The following table shows selected financial information from our combined cash flow statement for the six-month periods 2016/2017 and 2015/2016, and for the financial years 2015/2016, 2014/2015 and 2013/2014:

(in EUR million)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
Cash flow from operating activities	**(135)**	**181**	**1,173**	**1,252**	**1,124**
Cash flow from investing activities	**(334)**	**155**	**512**	**(827)**	**(391)**
Cash flow from financing activities	**95**	**(2,396)**	**(3,513)**	**1,487**	**(729)**
Currency effects on cash and cash equivalents	10	(15)	(11)	12	4
Total change in cash and cash equivalents	**(364)**	**(2,075)**	**(1,839)**	**1,924**	**8**
Cash and cash equivalents as of the beginning of the period	**1,599**	**3,436**	**3,436**	**1,512**	**1,506**
Cash and cash equivalents as of the end of the period	**1,236**	**1,363**	**1,599**	**3,436**	**1,512**

7.4. Selected Other Key Financial Data

The following tables show selected other key financial data for the Group and, as applicable, for our segments as of and for the six-month periods 2016/2017 and 2015/2016 and the financial years 2015/2016, 2014/2015 and 2013/2014, respectively. Certain of the following figures, financial measures and adjustments are not presented in accordance with IFRS or any other generally accepted accounting principles. These non-IFRS measures are defined by us and may not be comparable to similar measures used by other companies. For further information please see *2.8. "General Information — Note Regarding Non-IFRS Measures"*.

(in EUR million, unless otherwise indicated)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(unaudited, unless otherwise indicated)		
External sales (net)	**18,608**	**18,515**	**36,549**	**37,496**	**38,970**
thereof METRO Wholesale	14,867	14,535	29,000	29,692	30,516
thereof Real	3,718	3,945	7,478	7,736	8,390
thereof Others	22	36	72	67	64
Like-for-like Sales Growth (in %)[1]	(0.4)%	0.1%	0.2%	0.6%	0.6%
thereof METRO Wholesale	0.4%	0.3%	0.6%	0.9%	1.0%
thereof Real	(3.4)%	(0.6)%	(1.1)%	(0.8)%	(0.8)%
Delivery Sales Share (in % of total METRO Wholesale external sales (net))[2]	14.2%	11.8%	12.8%	10.6%	9.4%
EBITDA[3]	859	1,207	1,918*	1,606*	1,753*
thereof METRO Wholesale	755	1,079	1,700*	1,455*	1,460*
thereof Real	93	138	250*	142*	175*
EBITDA-margin (in % of sales)[3]	4.6%	6.5%	5.2%	4.3%	4.5%
thereof METRO Wholesale (in % of external sales (net))	5.1%	7.4%	5.9%	4.9%	4.8%
thereof Real (in % of external sales (net))	2.5%	3.5%	3.3%	1.8%	2.1%
EBITDA Before Special Items[4]	956	836	1,791*	1,771*	1,957*
thereof METRO Wholesale	777	707	1,464*	1,461*	1,546*
thereof Real	140	138	247*	222*	219*
EBITDA Before Special Items-margin (in % of sales)[4]	5.1%	4.5%	4.9%	4.7%	5.0%
thereof METRO Wholesale (in % of external sales (net))	5.2%	4.9%	5.0%	4.9%	5.1%
thereof Real (in % of external sales (net))	3.8%	3.5%	3.3%	2.9%	2.6%
EBIT[5]	504	874	1,219*	860*	999*
thereof METRO Wholesale	534	872	1,271*	1,013*	999*
thereof Real	24	69	108*	10*	28*
EBIT-margin (in % of sales)[5]	2.7%	4.7%	3.3%	2.3%	2.6%
thereof METRO Wholesale (in % of external sales (net))	3.6%	6.0%	4.4%	3.4%	3.3%
thereof Real (in % of external sales (net))	0.6%	1.7%	1.4%	0.1%	0.3%
EBIT Before Special Items[6]	610	502	1,106*	1,081*	1,275*
thereof METRO Wholesale	565	499	1,048*	1,061*	1,131*
thereof Real	70	69	105*	93*	90*
EBIT Before Special Items-margin (in % of sales)[6]	3.3%	2.7%	3.0%	2.9%	3.3%
thereof METRO Wholesale (in % of external sales (net))	3.8%	3.4%	3.6%	3.6%	3.7%
thereof Real (in % of external sales (net))	1.9%	1.7%	1.4%	1.2%	1.1%
Net Working Capital (as of the balance sheet date)[7]	(205)	(461)	(774)	(884)	(1,000)
Net Indebtedness (as of the balance sheet date)[8]	3,902	3,516	3,051	3,815	6,069
Free Cash Flow[9]	20	(5)	632	726	901
Earnings per share (in EUR)[10]	0.45	0.89	1.39*	0.70*	0.11*

* Audited.

1 Like-for-like Sales Growth (in %) represents sales growth on a comparable basis with respect to a comparable group of locations (*i.e.*, warehouses and/or hypermarkets) or continued business concepts in constant average currency (prior financial year figures translated at current financial year's exchange rates). This only includes the sales of locations that were neither newly opened during the reporting year or the preceding year nor closed or

divested from, and whose business was not substantially affected by changes in its selling area as a result of remodeling, or by other changes in concept. Delivery Sales (as defined below) are included in like-for-like sales unless they are generated in a location which is not part of the like-for-like portfolio in the respective period or arise from new depots opened to address mainly new customers. Online sales are generally part of like-for-like sales. Sales attributable to an acquired company are only included in like-for-like sales after a full financial year of operations under our control.

[2] Delivery Sales comprise sales from FSD, out-of-store delivery order collection, and transport after check-out and include acquired companies (for example, Classic Fine Foods group, Rungis express group and Pro à Pro group) as from their respective first-time combination (based on Data Warehouse). Delivery Sales Share is defined as our Delivery Sales for a certain period as percentage of our total METRO Wholesale external sales (net).

[3] EBITDA is defined as combined profit or loss for the period before income taxes, interest income, interest expenses, other financial result, earnings share of non-operating companies recognized at equity, other investment result, depreciation / amortization / impairment losses and reversals of impairment losses. EBITDA-margin is calculated, on a group level, as the percentage of total sales and, on a segment level, as the percentage of external sales (net) of the respective segment.

The following table shows for the periods indicated a reconciliation of EBITDA to combined profit or loss as shown in our Audited Combined Financial Statements and Unaudited Condensed Combined Interim Financial Statements, respectively:

	For the six-month period		For the financial year		
(in EUR million)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(unaudited)		**(audited)**		
EBITDA	**859**	**1,207**	**1,918**	**1,606**	**1,753**
Depreciation / amortization / impairment losses	(357)	(343)	(710)	(760)	(764)
Reversals of impairment losses	2	10	11	14	10
Earnings share of non-operating companies recognized at equity	0	3	3	2	9
Other investment result	(7)	0	(3)	1	78
Interest income	14	22	65	55	42
Interest expenses	(99)	(139)	(276)	(309)	(404)
Other financial result	18	(93)	(114)	(143)	(255)
Income taxes	(250)	(334)	(375)	(201)	(413)
Combined profit or loss for the period	**179**	**333**	**519**	**265**	**56**

[4] EBITDA Before Special Items is defined as combined net income/loss for the period before income tax expenses, interest income, interest expenses, other financial result, earnings share of non-operating companies recognized at equity, other investment result, depreciation / amortization / impairment losses, reversals of impairment losses and special items. EBITDA Before Special Items-margin is calculated, on a group level, as the percentage of total sales and, on a segment level, as the percentage of external sales (net) of the respective segment.

Special items in segment reporting on EBITDA-level include transactions that do not recur on a regular basis such as (i) changes to the combination portfolio, (ii) restructuring and efficiency-enhancing measures, (iii) risk provisions and (iv) certain other special items, in particular, litigation expenses.

The following table shows for the periods indicated a breakdown of the special items on EBITDA-level per category:

	For the six-month period		For the financial year		
(in EUR million)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(unaudited)		**(audited)**		
Special Items	**96**	**(370)**	**(127)**	**165**	**204**
thereof changes in the combination portfolio	0	(444)	(454)	(51)	(4)
thereof restructuring and efficiency-enhancing measures	69	76	283	169	138
thereof risk provisions	—	—	0	14	0
thereof other special items	27	(2)	45	32	70

The following table shows for the periods indicated a reconciliation of EBITDA Before Special Items to combined profit or loss as shown in our Audited Combined Financial Statements and Unaudited Condensed Combined Interim Financial Statements, respectively:

	For the six-month period		For the financial year		
(in EUR million)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(unaudited)		**(audited)**		
EBITDA Before Special Items	**956**	**836**	**1,791**	**1,771**	**1,957**
Special Items	(96)	370	127	(165)	(204)
thereof METRO Wholesale	(22)	372	236	(7)	(86)
thereof Real	(47)	0	3	(80)	(43)

(in EUR million)	For the six-month period 2016/2017	2015/2016	For the financial year 2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
thereof Others	(28)	(1)	(112)	(77)	(79)
thereof Consolidation	0	0	0	(1)	4
Depreciation/amortization/impairment losses	(357)	(343)	(710)	(760)	(764)
Reversals of impairment losses	2	10	11	14	10
Earnings share of non-operating companies recognized at equity	0	3	3	2	9
Other investment result	(7)	0	(3)	1	78
Interest income	14	22	65	55	42
Interest expenses	(99)	(139)	(276)	(309)	(404)
Other financial result	18	(93)	(114)	(143)	(255)
Income taxes	(250)	(334)	(375)	(201)	(413)
Combined profit or loss for the period	**179**	**333**	**519**	**265**	**56**

5 EBIT is defined as combined profit or loss for the period before income tax expenses, interest income, interest expenses, other financial result, earnings share of non-operating companies recognized at equity and other investment result. EBIT-margin is calculated, on a group level, as the percentage of total sales and, on a segment level, as the percentage of external sales (net) of the respective segment.

6 EBIT Before Special Items is defined as combined profit or loss for the period before income tax expenses, interest income, interest expenses, other financial result, earnings share of non-operating companies recognized at equity, other investment result and special items. EBIT Before Special Items-margin is calculated, on a group level, as the percentage of total sales and, on a segment level, as the percentage of external sales (net) of the respective segment.

Special items in segment reporting on EBIT-level include transactions that do not recur on a regular basis such as (i) changes to the combination portfolio, (ii) restructuring and efficiency-enhancing measures, (iii) risk provisions and (iv) certain other special items, in particular, litigation expenses.

The following table shows for the periods indicated a breakdown of the special items on EBIT-level per category:

(in EUR million)	For the six-month period 2016/2017	2015/2016	For the financial year 2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
Special Items	**106**	**(372)**	**(113)**	**221**	**275**
thereof changes in the combination portfolio	0	(444)	(454)	(49)	25
thereof restructuring and efficiency-enhancing measures	79	75	296	201	168
thereof risk provisions	—	—	0	26	0
thereof other special items	27	(2)	45	42	83

The following table shows for the periods indicated a reconciliation of EBIT Before Special Items to EBIT as shown in our Audited Combined Financial Statements and Unaudited Condensed Combined Interim Financial Statements, respectively:

(in EUR million)	For the six-month period 2016/2017	2015/2016	For the financial year 2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
EBIT Before Special Items	**610**	**502**	**1,106**	**1,081**	**1,275**
Special Items	(106)	372	113	(221)	(275)
thereof METRO Wholesale	(31)	373	222	(48)	(133)
thereof Real	(47)	0	3	(83)	(62)
thereof Others	(28)	(1)	(112)	(89)	(85)
thereof Consolidation	0	0	0	(1)	4
EBIT	**504**	**874**	**1,219**	**860**	**999**

7 Net Working Capital is defined as the balance of inventories, trade receivables, trade payables and receivables from supplier credits.

8 Net Indebtedness is defined as borrowings including finance lease obligations less cash and cash equivalents and less short-term financial investments.

9 Free Cash Flow is defined as EBITDA less investments excluding additions to finance leases plus or minus, as the case may be, change in Net Working Capital. In the financial year 2015/2016 and the six-month period 2015/2016, Free Cash Flow included income from the disposal of our wholesale activities in Vietnam which has been adjusted in order to better reflect our operationg performance and the underlying cash conversion in the respective period.

10 Earnings Per Share is defined as our combined profit or loss for the period divided by the number of Shares expected to exist as of the date of the Listing and is calculated on the basis of a total number of 363,097,253 Shares. As no such shares existed in the periods under review, this is not a required disclosure under IFRS.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following selected financial and other information of the Group as of September 30, 2016, 2015 and 2014 and for the financial years 2015/2016, 2014/2015 and 2013/2014, (i) if presented as "audited", is taken from our Audited Combined Financial Statements and, (ii) if presented as "unaudited", is either derived from our Audited Combined Financial Statements, or taken or derived from our accounting records or our management reporting. The selected financial and other information of the Group as of March 31, 2017, and for the six-month periods 2016/2017 and 2015/2016 is taken or derived from our Unaudited Condensed Combined Interim Financial Statements, our accounting records or our management reporting, and is presented as "unaudited".

The Audited Combined Financial Statements were prepared by the METRO AG in accordance with IFRS, as adopted by the European Union and reflect the economic activities of the MWFS Group which was under common control of METRO AG during the reporting periods presented in these Audited Combined Financial Statements. The Audited Combined Financial Statements were audited by KPMG (as defined below), who issued an unqualified auditor's report thereon as included in the section 20. "Financial Information" of the Prospectus beginning on page F-1. The Unaudited Condensed Combined Interim Financial Statements were prepared by METRO AG in accordance with IFRS, as adopted by the European Union for interim financial reporting (IAS 34) and reflect the economic activities of the MWFS Group which was under common control of METRO AG during the reporting periods presented in these Combined Financial Statements. For further information on the Combined Financial Statements, see also 8.3.1. "— Basis of Preparation of our Combined Financial Statements" and 2.5. "General Information — Documents Available for Inspection".

Some of the following figures, financial measures and adjustments are not presented in accordance with IFRS or any other generally accepted accounting principles nor have these measures been reviewed by an outside consultant, expert or auditor. Unless otherwise noted, all of these Non-IFRS Measures are derived from our accounting records or our management reporting. Figures based on Data Warehouse are statistical and are prepared using a self-reporting customer classification system. For sales figures per customer group (i.e., HoReCa, Trader and SCO), such figures exclude non-strategic product categories (including tobacco, petrol and empties). Thus, deviations from financial information as reported in the Combined Financial Statements may occur. All Non-IFRS Measures are defined by us and may not be comparable to similar measures used by other companies. For the definition of the Non-IFRS Measures included in the Prospectus, see 2.8. "General Information — Note Regarding Non-IFRS Measures".

All of the financial data presented in the text and tables below are shown in millions of Euro, except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in the following tables may not correspond in all cases to the corresponding rounded amounts contained in the following tables. Furthermore, those rounded figures may not add up exactly to the totals contained in the tables.

Our historical results are not necessarily indicative of the results that should be expected in the future, and our interim results are not indicative of the results that should be expected for the full year or any other period. Investors should read the following discussion and analysis of our financial position and results of operations together with the additional financial information contained in the Prospectus, in particular, in the sections on 1. "Risk Factors", 3. "The Demerger and Listing", 4. "Reasons for the Demerger and Listing and Cost of the Demerger and Listing", 6. "Capitalization and Indebtedness", 7. "Selected Financial and Other Information", and 10. "Business" contained in the Prospectus, and our Combined Financial Statements, and the related notes included therein, which are contained in the 20. "Financial Information" section of the Prospectus beginning on page F-1.

This section may contain forward-looking statements. Such statements are subject to risks, uncertainties and other factors, including those set forth under the heading 1. "Risk Factors", which could cause our future results of operations, financial position or cash flows to differ

materially from the results of operations, financial position or cash flows expressed or implied in such forward-looking statements. For further information on risks associated with reliance on forward-looking statements, see also 2.3. "General Information — Forward-Looking Statements".

8.1. Overview of the Business Activities of the MWFS Group

We are – in our assessment – a leading international player in wholesale and foodservice distribution, both in terms of sales and based on our extensive warehouse presence, and a leading retail player in the hypermarket segment of the German grocery retail market. We are a strong international wholesale group with well-known brands such as "METRO" and "makro", a broad global presence (including 29 Megacities) and extensive reach. Overall, we are present in 35 countries with our wholesale and FSD offerings across Western Europe, including Germany, Eastern Europe and Asia. We operate 751 warehouses in 25 countries while we serve the remaining ten countries only via FSD. In addition, we also have 79 delivery depots. We also provide FSD, in particular, via recently acquired dedicated FSD businesses, Classic Fine Foods group, Rungis express group and Pro à Pro group. In our German-based food retail business we operate 282 hypermarkets almost exclusively under the "real,-" brand across the country (all data as of March 31, 2017, unless otherwise indicated).

Our business is carried out by two operating segments: the METRO Wholesale segment, which comprises our wholesale business (including warehouse and delivery) primarily for professional customers (B2B), as well as the Real segment, which comprises our German food retail business for retail customers (B2C).

In our METRO Wholesale segment, we generated EUR 29,000 million external sales (net) (or 79.3% of our total external sales (net)) and achieved an EBITDA Before Special Items of EUR 1,464 million (corresponding to a margin of 5.0%) in 2015/2016. As of March 31, 2017, our METRO Wholesale segment had more than 100,000 employees working in highly-engaged teams, including over 7,000 sales representatives. As a multi-channel player we combine a broad, well-invested warehouse network with comprehensive FSD, out-of-store delivery, in-store order collection and transport after check-out as well as online shop capabilities which allow our customers to have their purchases delivered, buy in-store, or "click-and-collect". We believe that FSD is a growing and attractive business area. In the financial year 2015/2016, our Delivery Sales Share amounted to approximately 12.8% and Delivery Sales have organically grown at a compound annual growth rate ("**CAGR**") of approximately 11% during the last three financial years (excluding Pro à Pro).

We believe that our Operating Model, which centers on customer value and the empowerment of our local organizations, fosters the creation of strong relationships with, and close proximity to, our B2B customer groups and provides a strong opportunity for the generation of additional value and a high share of recurring and predictable revenues. The B2B customers of our wholesale business are primarily small- and medium-sized businesses and individual entrepreneurs and mainly comprise: (1) HoReCa, which consist of hotels and hospitality businesses, restaurants, bars and cafés, caterers and canteen operators, (2) Trader, which consist of small grocery stores, kiosks, street food traders and petrol stations as well as wholesalers, and (3) SCO, which consist of a wide variety of professional service companies and organizations, such as service providers, offices and institutions. Depending on our main customer focus in each country in line with our Operating Model, we gear a tailored offering adapted to specific customer patterns and needs to best capture local market opportunities.

As of September 30, 2016, in our METRO Wholesale segment, we had over 65 million active METRO cards (cards that have been issued within the last 24 months or have been used at least once within the last 24 months, whereby all cards belonging to a customer are considered active even if only one card was used, based on Data Warehouse). We believe that we benefit from comprehensive insights into our customers' needs as a result of the transparency provided by the METRO card, which enables us to track our customers' purchases and thus customize product assortments as well as marketing and promotional activities to their specific needs. Consequently, we see the METRO card as a strong tool to attract, retain and regain our B2B customers through their life cycle. As of September 30, 2016, we had approximately 21 million Buying Customers in our METRO Wholesale segment. Thereof, approximately

4 million – or approximately 19% – were Recurring Customers. These Recurring Customers represented a disproportionately high share of sales, as we generated approximately three-quarters of the sales attributable to our METRO Wholesale segment with such Recurring Customers in 2015/2016. We believe that the high share of sales with these Recurring Customers has supported and has the potential to further support the resilience of our business across economic cycles.

In our METRO Wholesale business, we offer a tailored and differentiated product assortment with a broad range of SKUs across dry, fresh and ultra-fresh food products, but also various non-food products. Our product assortment is based on local customer needs with a mix of third-party branded products, third party exclusive products and established own brand products (our own brand products represented approximately 17% of the METRO Wholesale segment external sales (net) share on a like-for-like basis in 2015/2016, based on Data Warehouse). Our comprehensive, international sourcing allows us to access a vast variety of products, including the highest quality products. Moreover, we believe that our long-standing supplier relationships and procurement partnerships enable us to maintain consistent product availability and innovation. In addition, we focus on product development and aim to provide best-value offerings, as well as food sustainability and safety, for example, by ensuring the traceability of products, via cold chain handling and by implementing high quality standards.

In our Real segment, in 2015/2016, we generated EUR 7,478 million external sales (net) (or 20.5% of our total external sales (net)) and achieved an EBITDA Before Special Items of EUR 247 million (corresponding to a margin of 3.3%). With our Real retail business and its 282 hypermarkets, we are, as of March 31, 2017, a leading hypermarket operator in Germany and were the fifth largest grocery retail operator in the country in terms of 2016 sales. At Real, we have recently introduced a new hybrid store concept, which combines our customer-centric "food lover's" concept with the advantages of big shops catering for the specific needs of our prospective retail consumers. This hybrid store concept is currently being tested in a pilot store in Krefeld, Germany. In 2015/2016, our Real hypermarkets had approximately 1 million Customer Visits per day, and approximately 60% of the sales of the Real segment in 2015/2016 were generated with loyalty card holders (all figures based on Data Warehouse). Our hypermarkets offer a very broad product assortment comprising both food and several non-food product categories.

At Group level, we had sales of EUR 36,549 million, EBITDA Before Special Items of EUR 1,791 million and a profit of EUR 519 million in the financial year 2015/2016. Driven by proceeds from selected portfolio adjustments and our strong cash flow from operating activities, we reduced Net Indebtedness from EUR 6,535 million as of October 1, 2013 to EUR 3,051 million as of September 30, 2016.

8.2. Key Factors Affecting Results of Operations, Financial Position and Cash Flows

We believe that the factors discussed below have significantly affected our results of operations, financial position and cash flows in the past periods for which financial information is presented in the Prospectus, and expect that these factors will continue to have a material influence on our results of operations, financial position and cash flows in the future.

For a discussion of certain factors that may adversely affect our results of operations, financial position and cash flows, see also the risk factors set out in section *1. "Risk Factors"*.

8.2.1. General Economic and Political Conditions in the Regions in which we Operate

We are – in our assessment – a leading international wholesale and FSD operator and, through our Real business, a leading retail player in the hypermarket segment of the German grocery retail market. Therefore, our results of operations are affected by general developments in the global economy and, in particular, by fluctuations in the economic and political conditions of the markets in which we sell our products and services. Due to the

focus of our METRO Wholesale segment on B2B customers, which comprise HoReCa, Trader and SCO customers and the respective focus of our Real segment on end-consumers, our results of operations are particularly impacted by aspects such as discretionary spending levels, urbanization, growing personal income, consumer confidence, inflation and food costs, a busier lifestyle and the continued digitalization.

With respect to our wholesale operations, changes in discretionary spending levels and consumer confidence generally affect the purchasing behaviour of our B2B customers which, in turn, affected our results of operations in the periods under review and are expected to continue to do so in the future. When the discretionary spending levels or consumer confidence of end-consumers deteriorate due to negative overall economic developments or other aspects such as uncertain political conditions, our B2B customers' businesses typically have been and may also be in the future negatively affected as in such situations our B2B customers typically adjust their purchasing behaviour to the changing behaviour of their customers. In contrast, historic improvements of economic conditions have generally positively affected our B2B customers' businesses, as we have experienced, for example, in Russia, where an economic recovery (in GDP real growth terms) was typically followed by a positive performance of our local wholesale business with a general time delay of approximately two quarters. Furthermore, in particular our HoReCa customers were significantly affected in the past and may continue to be affected in the future by consumer confidence levels and, most notably, by the development of out-of-home consumption which in many countries was and may continue to be linked to the development of overall economic and political conditions. In addition, our retail business as B2C operations historically was and is expected to continue to be in the future directly affected when consumers reduce their overall consumption or change their spending habits.

In the periods under review, the global economic conditions, which indirectly affected our results of operations as set out above, most notably by means of a changing consumer climate, remained largely stable. In 2016, the world economy grew by 3.1% as compared to 3.2% in 2015 and 3.4% in 2014. Overall, global growth is projected to reach 3.5% in 2017 and 3.6% in 2018. In line with stronger-than-expected momentum in the second half of 2016, the forecast envisages a stronger rebound in advanced economies. And while growth is still expected to pick up notably for the emerging market and developing economies group, weaker-than expected activity in some large countries has led to small downward revisions to the group's growth prospects for 2017. For advanced economies, projected growth has been revised upwards in the United States, reflecting the assumed fiscal policy easing and an uptick in confidence, especially after the November elections. The subdued growth forecasts for emerging markets and developing economies result from a weaker outlook in several large economies, especially in Latin America and the Middle East, reflecting continued adjustment to the decline in their terms of trade in recent years, oil production cuts, and other country specific factors. Developments in Eastern Europe remained divided, with generally stable growth in Central European countries on the one hand, and Eastern European countries whose economic developments remained overshadowed by the Russia/Ukraine conflict and recession in Russia on the other hand. In the first half of 2016/2017, Eastern European countries benefitted from the budding recovery of the Russian economy. In Asia, Chinese economic growth remained strong while the Japanese economy expanded only slightly. However, as a whole, the region continued to record the strongest growth rates of all regions in which we are active in the periods under review (source: IMF World Economic Outlook April 2017).

We are an internationally diversified business. In the financial year 2015/2016, we generated 34% of our sales in Germany (of which 20 percentage points related to Real and 13 percentage points related to METRO Wholesale), 28% in Western Europe (excluding Germany), 27% in Eastern Europe and 12% in Asia (each figure a percentage of our total sales). We believe that this regional diversification has helped in the past to partially mitigate the impact from negative economic developments confined to certain regions. However, as of the date of the Prospectus, Germany and Europe remain our most important regional markets. Economic conditions in these markets have significantly affected our results of operations in the periods under review and are expected to continue to do so in the future.

Also, we believe that our business has been resilient during the different economic cycles in the past. This has been demonstrated through the combination of consistent top-line growth, on a like-for-like basis, as well as resilient profit margins. Based on constant average foreign

exchange rates for the financial year 2015/2016 and adjusted for disposals (*i.e.,* without sales of our wholesale operations in Denmark, Egypt, Greece and Vietnam) since October 1, 2013, our sales attributable to the METRO Wholesale segment amounted to EUR 28,883 million in 2015/2016, EUR 28,256 million in 2014/2015 and EUR 27,890 million in 2013/2014. Our METRO Wholesale sales, as of the date of the Prospectus and on a like-for-like basis, have been positive in each financial quarter since the last quarter of our stub financial year ended September 30, 2013. Our Gross Margin Before Special Items also improved slightly from 18.7% in 2013/2014 to 19.0% in 2014/2015 and 19.2% in 2015/2016 despite the subdued global economic climate during that period as described above.

8.2.2. Trends, Conditions and Expected Developments in our Markets

Our results of operations have been significantly affected, and are expected to be in the future, by the trends, conditions, including the competitive environment, and developments in the markets in which we operate, most notably the Relevant HoReCa Market and Relevant Trader Market (both as defined under *9.2. "Markets and Competitive Environment — Market Definitions and Methodology*"). We believe that the conditions and developments of the markets in which we operate have been and are expected to be shaped by various factors including, most notably, demographic trends such as increasing population, urbanization, increasing employment resulting in higher personal income levels, continued digitalization and an increasing focus in many countries on environmental and social aspects as a factor affecting our customers' purchase decisions.

The Relevant HoReCa Market and the Relevant Trader Market have overall been growing consistently in the periods under review and we expect that they continue to grow in the regions in which we operate during the 2016-2020 period. With respect to the Relevant HoReCa Market, growth is expected to come mostly from our Asian and Eastern European regional markets whereas Germany and our other Western European markets are expected to grow at less pronounced rates. The Relevant Trader Market is expected to grow across all of our operating regions during the 2016-2020 period and our Eastern European and Asia regional markets are expected to be the main growth drivers while Germany and Western Europe as more mature markets are expected to exhibit only moderate growth. As an international wholesale business we compete with a broad variety of different supply channels that may be used by B2B customers including producers, distributors, other wholesalers and general retailers (including traditional open-air markets).

With our Real segment, we serve retail end-customers in Germany through our hypermarket network and online sales channels by offering food and non-food products. Real is active in the German grocery retail market with 282 hypermarkets as of March 31, 2017 almost exclusively under the "real,-" brand. Consequently, the conditions and development of the German grocery retail market had a material effect on our results of operations in the past and are expected to do so in the future. The German grocery retail market is a mature, steadily growing market. The GfK Market Drivers Report shows a growth trend of the German grocery retail market over the 2012-2016 period, driven in particular by a positive consumer sentiment due to, among other factors, the stabilization of the labor market, as well as a growing number of households and further volume increases from the specialized trade and handcraft. Based on the data and trends included in the GfK Market Drivers Report, we expect that in the next years the German grocery retail market will continue to grow steadily overall on account of a strong labor market and forecasted GDP growth. The market is characterized by its large concentration which is evidenced by the high market share of its four largest players. Price competition results in margin pressure (for example, through the growing brand offerings of discounters) and significant market pressures to try to keep up in terms of innovation and investments. These pressures in the periods under review impacted our sales and earnings attributable to the Real segment.

For additional information on our relevant markets, their past and expected future development and the competition that we face in these markets, see also *9. "Markets and Competitive Environment"*.

8.2.3. Changes in Customer Mix

In addition to the overall general economic conditions, our results of operations (and particularly those of our METRO Wholesale segment) have been significantly affected, and are expected to be affected in the future, by changes in our customer mix.

In many countries in which we operate, our HoReCa customers constitute the fastest growing B2B customer group. As a result of this trend and the implementation of our Operating Model which specifically targets what we believe to be the most attractive B2B customer groups in each region, our HoReCa sales share as a percentage of the total METRO Wholesale sales has grown by approximately 500 basis points over the last three financial years (based on Data Warehouse). We believe that the improvement in Gross Margin Before Special Items was partly due to this increased sales share that we generated with HoReCa customers because HoReCa customers typically demand high-quality products with attractive gross profit margin on sales-margins, and because they are generally not as price-sensitive as our Trader customers which generally face significant cost pressure themselves. However, we also generally incurred higher costs in the periods under review (including, *inter alia*, personnel expenses) to serve our HoReCa customers due to their demand for additional services such as consulting services and training seminars.

Our HoReCa customers are also among the drivers of a general shift in customer preference towards delivery. In line with this trend, our Delivery Sales have organically grown at a CAGR of approximately 11% during the last three financial years. Considering past acquisitions, our Delivery Sales Share increased from approximately 9.4% in the financial year 2013/2014 to approximately 12.8% in the financial year 2015/2016; considering additional sales of approximately EUR 670 million attributable to Pro à Pro, this share would have increased to approximately 14.7% in 2015/2016. The acquisitions of the dedicated FSD businesses comprise the Classic Fine Foods group in September 2015, the Rungis express group in April 2016 and Midban Esolutions S.L. in July 2014. The acquisitions of the Classic Fine Foods group and the Rungis express group together with the acquisition of Pro à Pro, which was closed in February 2017, are expected to also provide substantial additional uplift in the future. Considering all four of these acquisitions, we have acquired FSD businesses with aggregated sales of approximately EUR 1 billion in 2015/2016 (for Pro à Pro sales relate to the calendar year 2015 and are taken from Pro à Pro's consolidated financial statements for this year in accordance with French GAAP).

Trader customers and, in particular, Trader franchise customers are another focus group for our wholesale business. The development of their respective sales share has therefore also had a significant impact on the results of operations of our METRO Wholesale segment. Franchise concepts for Traders are mainly being developed in the Eastern European countries. In 2015/2016, the share of sales with Trader franchise customers remained quite small at approximately 6% of the EUR 5,845 million METRO Wholesale sales attributable to our Trader customers. Meanwhile, the average spending of a Trader franchise customer amounted to approximately EUR 60,000 in 2015/2016 as compared to an average spend of EUR 15,000 per our recurring Trader customers, *i.e.*, such Trader customers visiting at least 26 times over a twelve-month period. Also, the average spending by a Trader franchise customer has been increasing at a CAGR of approximately 9% between 2013/2014 and 2015/2016. Therefore, the development of the overall number of Trader franchise customers is expected to gain significance for the development of our results of operations (all figures based on Data Warehouse).

Furthermore, our membership format is an integral part of our business model and has a significant effect on our results of operations. In our METRO Wholesale segment, sales with Recurring Customers represented in the past a disproportionately larger share of our sales. This also contributed to the resilience of our wholesale sales. In 2015/2016, we made approximately three quarters of our sales attributable to our METRO Wholesale segment with such Recurring Customers, even though, by number, Recurring Customers only represent approximately one fifth of our Buying Customers (*i.e.*, customers with whom our wholesale operations generated sales in the preceding twelve-month period). The development of the overall number of Recurring Customers therefore had a significant effect on our results of operations and this is expected to continue in the future.

8.2.4. Transformation and Strategic Organizational Repositioning

Our results of operations in the last three financial years were significantly affected by the continuing strategic repositioning of our wholesale and retail operations*, inter alia*, in connection with the introduction of our Operating Model in October 2015 which highlights local decision making and decentralization. In line with this Operating Model, strategy and financial planning uses the customer and the various market segments as starting point to identify and exploit any additional potential for wholesale in the individual countries. As part of our Operating Model we expanded and plan to continue to expand our sales channels based on a multi-channel strategy. During this process, we have particularly been strengthening and expanding our FSD activities through numerous acquisitions as set out above. In addition, we have been developing new store formats for our METRO Wholesale customers, including a Trader franchise concept.

In connection with the aforementioned transformation and strategic organizational repositioning of our business and in addition to the expenditures for our acquisitions, we have, particularly in the past two financial years, incurred substantial costs for restructuring and efficiency-enhancing measures. These costs negatively impacted our reported EBIT and reported EBITDA in a substantial manner. As they do not recur on a regular basis but significantly impact business activities, these expenditures were classified as special items and, thus, not reflected in our EBIT Before Special Items and EBITDA Before Special Items. We believe that these Non-IFRS Measures better reflect our operating performance during the past and ongoing transformation phase.

In the financial year 2015/2016, (negative) special items concerning restructuring and efficiency-enhancing measures of EUR 296 million on EBIT-level and EUR 283 million on EBITDA-level related primarily to expenses for planned warehouse and hypermarket closures as well as the streamlining of our corporate headquarters in connection with the Demerger. In 2014/2015, these (negative) special items regarding restructuring and efficiency-enhancing measures of EUR 201 million on EBIT-level and EUR 169 million on EBITDA-level mainly concerned the realignment of logistics structures in Germany in addition to warehouse closures at, *inter alia*, METRO Cash & Carry Germany. In 2013/2014, (negative) special items regarding restructuring and efficiency-enhancing measures amounted to EUR 168 million on EBIT-level and EUR 138 million on EBITDA-level and primarily concerned warehouse and hypermarket closures in both our METRO Wholesale and our Real segment. Going forward, we do not expect the level of one-off costs, particularly regarding warehouse and hypermarket closures and other restructuring costs, to remain at the level of our transformation during the last three financial years but to decline significantly. Therefore, we envisage that we will discontinue our separate reporting of one-off costs as special items starting from the financial year ending on September 30, 2018.

In mid-October 2016, we announced detailed plans for a strategic repositioning of our retail business Real. In this context, Real's administrative functions will be reorganized and restructured, with the central functions scheduled to be concentrated at the Dusseldorf location in the near future. As part of the reorganization, up to 500 FTE could be made redundant until mid-2018. We recognized provisions for severance payments in the amount of EUR 49 million as expenses in the first half of 2016/2017. At the same time, the introduction of the new hybrid store concept, which aims to provide a significant increase in service quality, is expected to lead to the creation of up to 3,000 new jobs over the next five years. Furthermore, we have been able to agree on a tariff agreement (*Zukunftstarifvertrag*) with ver.di, a German trade union, in 2016 including the general recognition of regional collective bargaining agreements in the retail sector, the suspension of tariff increases between 2015 and 2017, as well as reduced vacation and Christmas allowances between 2016 and 2019 and a timeframe for further negotiations on a long-term tariff agreement. In exchange, Real committed to an aggregate investment and other measures to improve store quality of EUR 1 billion over five years, to safeguard hypermarkets and employment and not to increase base salaries for executive employees between 2015 and 2019. We are currently in negotiations with ver.di about a long-term solution to secure competitive wage levels for our Real business. For information on the risks we face in case we fail to reach a favorable agreement with ver.di, see also *1.3.12. "Risk Factors Risks Related to our Business Operations — We are exposed to the risk of rising labor costs which might negatively affect our profitability."* All these factors are expected to affect our results of operations, most notably our personnel expenses.

8.2.5. Portfolio Optimization and Real Estate Transactions

Our results of operations and financial position in the periods under review have also been significantly affected by a number of portfolio adjustments, including the disposal of wholesale activities in Greece (in January 2015) and Vietnam (in December 2015), the discontinuation of wholesale operations in Egypt (in February 2014) and in Denmark (in December 2014) as well as the sale of our remaining stake of 9% in Booker Group PLC (in September 2014). In addition, we have concentrated our retail activities on the German market after divestments of Real Eastern Europe (Ukraine in March 2013, Russia in April 2013, Romania (excluding four remaining hypermarkets) in September 2013; Poland in February 2014 and the four remaining hypermarkets in Romania in January 2017) and Real Turkey (in July 2014). In Germany, we have since October 1, 2013 discontinued various underperforming hypermarkets and reduced the overall number of hypermarkets from 293 to 282 as of March 31, 2017. Certain divestments resulted in one-off gains which have been reflected as (positive) special items regarding changes in our combination portfolio. In the financial year 2015/2016 these amounted to EUR 454 million both on EBIT and EBITDA-level, and mostly related to the disposal of our wholesale activities in Vietnam in December 2015. In 2014/2015, these (positive) special items regarding changes in our combination portfolio amounted to EUR 49 million at EBIT-level and EUR 51 million at EBITDA-level and primarily concerned the disposal of our wholesale activities in Greece and real estate related to our five former warehouses in Denmark. In addition to the proceeds that we collected, the aforementioned disposals also had other effects on our results of operations, most notably a reduction of sales during the last three financial years.

In the periods under review, we also realized significant income from the sale of real estate, some of which was reflected in our accounts as income of our operative segments (if the real estate had been primarily used by METRO Wholesale or Real) while the remainder was accounted for in the Others segment (if the respective real estate was not primarily used by METRO Wholesale or Real). These net gains from the sale of real estate were recognized either as other operating income or earnings share of operating companies recognized at equity, include losses related to real estate transactions recognized under the operating expenses and amounted to, in the aggregate and adjusted for special items, EUR 118 million in the first half of 2016/2017, EUR 153 million in 2015/2016, EUR 178 million in 2014/2015 and EUR 173 million in 2013/2014, respectively. In the first half of 2016/2017, real estate transactions essentially related to the disposal of a METRO Wholesale warehouse including its plot in Shanghai, China, to the district government of Hongkou, China, which intends to develop the whole area and the sale of a partial ownership of a property in Munich which has been mainly utilized by Media-Saturn. Prior to the disposal of the property in Munich, the corresponding rental agreement with Media-Saturn had been extended. In the financial year 2015/2016, our most relevant real estate transactions concerned the sale of a land plot in China intended for the construction of a shopping center (including buildings) and a shopping center in Germany. In 2014/2015, we realized real estate income from the sale of two additional shopping centers in Germany. In 2013/2014, the sale of individual office properties at our headquarters in Dusseldorf resulted in an income of EUR 123 million (before transaction costs) and we also sold another shopping center in Germany.

The disposal of the GALERIA Kaufhof group (which was not part of the combination group) essentially led to an increase in cash and cash equivalents as of September 30, 2015. In the Combined Financial Statements, the cash inflow from the sale is shown as a contribution and was reflected accordingly in the combined net assets (equity). Transactions in connection with the sale of GALERIA Kaufhof group resulted in contributions of EUR 199 million in 2015/2016 (mostly related to dividends received for the previous financial year), EUR 1,985 million in 2014/2015 (mostly related to the cash purchase price received on September 30, 2015) and EUR 39 million in 2013/2014. We incurred a cash outflow of EUR 27 million related to the divestment in the six-month period 2016/2017 which was covered by corresponding provisions and, thus, did not affect our combined income statement for that period. As the GALERIA Kaufhof group was not part of the combination group, its disposal had no other effects on our results of operations as reported in the Combined Financial Statements.

8.2.6. Cost Base Management and Commercial Income

Our ability to manage our cost base is another important factor which impacted our results of operations in the past and is expected to continue to do so in the future. A major share of our

cost base is fixed or semi-fixed and, consequently, is an important factor in our results of operations. Our fixed costs (meaning costs which are not directly and completely affected by changes in net sales; such fixed costs do not necessarily incur on a fixed basis throughout the year but may be subject to, *inter alia*, changes in consumption or market prices) include rental expenses and energy costs. Personnel expenses have both a fixed and semi-variable component due to the hiring of temporary workers during the peak selling periods.

In the periods under review, the largest share of our cost base related to the procurement of goods sold at our warehouses and hypermarkets as well as via delivery. Consequently, food and non-food prices also significantly impact our results of operations. Food and non-food price inflation may increase our sales, however for those products where we cannot pass on the increased purchasing costs to our customers to the full extent, our gross profit on sales-margin may be negatively affected. When the rate of inflation declines, however, our sales may fall despite our unit sales remaining constant or growing.

In an effort to further improve our procurement terms, we have been collaborating with the trading and service co-operations such as Markant and PHD regarding for example, joint purchasing and settlement concerning both our wholesale and retail operations. Early impacts from these collaborations positively impacted our gross profit on sales-margin in 2015/2016. In November 2016, we have entered into another co-operation with RTG Retail Trade Group GmbH (replacing the prior co-operation with PHD) with further beneficial effects expected in the near to mid-term (see also, *11.3.3 "Material Contracts — Other Material Contracts — Co-operation Agreement Between Real and Others Relating to RTG Retail Trade Group"*).

In line with regular industry practice, our suppliers pay bonuses designed to reward mutually beneficial growth. We obtain discounts, rebates, bonuses and other commercial income from our suppliers, typically taking the form of a bonus paid by our suppliers to us based on aggregate volumes of goods purchased, or service fees arising from services rendered to our suppliers. This commercial income has historically had a significant impact on our margins and is expected to continue to do so in the future. However, regulatory changes or changes in the industry practice could impact our commercial income. For example, regulatory changes were introduced in Russia and Poland relating to supply agreements limiting, *inter alia*, commercial income such as contractual bonuses and terms of supplier credit.

Personnel expenses which are another important part of our cost base include the costs of staff in our warehouses and hypermarkets, staff working in our delivery business as well as staff in our global and regional headquarters and other business operations performing mainly administrative, centralized and service functions. We manage personnel expenses in our warehouses and hypermarkets, to a certain degree, by varying staffing levels in anticipation of customer traffic. In addition, we have implemented operational measures with a view to downsize overhead personnel and other staff to further improve overhead efficiency and to realize personnel efficiencies in the periods under review. As part of our transformation and strategic organizational repositioning, our decentralization efforts also included a first phase of restructuring at our headquarters which resulted in downsizing of certain administrative functions by approximately 170 FTE in the period from May 2015 until September 2016. In the context of the Demerger, we expect to further streamline the structure of our headquarters and we anticipate an additional reduction of approximately 240 FTE (of which approximately 55 FTE will remain with the CE Group). Accordingly, we recognized provisions in the financial year 2015/2016 of EUR 37 million mainly relating to severance payments and, thus, negatively impacting our reported EBIT and reported EBITDA as special items. In connection with this ongoing Demerger-related restructuring we currently strive for an upside potential in EBIT and EBITDA in a range of approximately EUR 20 million per annum of which a significant share is aimed at being realized already from the current financial year 2016/2017 onwards. In addition, we have been restructuring the personnel at our Real headquarters for which we incurred restructuring expenses of EUR 49 million in the first half of 2016/2017.

8.2.7. Cash Generation and Reduction of Net Indebtedness

Our ability to generate cash and reduce our Net Indebtedness has significantly affected our financial position and cash flows in the past. This has been demonstrated by the development of our Free Cash Flow and FCF Conversion in the recent past. The development of our Free

Cash Flow from EUR 901 million in 2013/2014 to EUR 726 million in 2014/2015, as well as the corresponding development of our FCF Conversion from 51% in 2013/2014 to 45% in 2014/2015 mainly resulted from the extraordinary investment needs associated with our comprehensive transformation and strategic organizational repositioning as described above. The Free Cash Flow for 2015/2016 included income from divesting our wholesale operations in Vietnam and amounted to EUR 1,077 million which corresponded to a FCF Conversion of 56%. Adjusted for this effect (*i.e.*, excluding the income from divesting our wholesale operations in Vietnam), the FCF Conversion in 2015/2016 was 43%, based on a Free Cash Flow of EUR 632 million. This adjustment was made in order to provide a fair perspective on our operating performance and the underlying cash conversion.

After elimination of all special items, our Free Cash Flow Before Special Items remained notably higher and amounted to EUR 1,105 million in 2013/2014, EUR 891 million in 2014/2015 and EUR 950 million in 2015/2016, respectively. Further improvement of our cash generation is expected to remain a key aspect of our financial policies in the near and mid-term future. Driven by initiated efficiency measures, our investment requirements are expected to decline in the future. As a result, we expect a corresponding improvement of our Free Cash Flow and FCF Conversion. In the mid-term future we are targeting an improved FCF Conversion exceeding 60%.

Our business model is also characterized by effective use of our capital resources. Our customers generally make their payments in cash, use credit or debit cards or make a prepayment using a bank wire transfer while we offer interest-free delayed payment terms (typically five to ten business days) only to a few of our B2B customers. Due to our buying power, we believe to have generally favorable terms and conditions with our suppliers. The combination of these two factors has supported the effective use of our capital resources as demonstrated by our Net Working Capital. In the periods under review, we have generally maintained a negative Net Working Capital of EUR (774) million as of September 30, 2016, EUR (884) million as of September 30, 2015 and EUR (1,000) million as of September 30, 2014. The recent expansion of delivery and FSD activities, however, is expected to have a negative effect on our Net Working Capital because we are typically required to provide for customer credit. The past and future development of our Net Working Capital has been and is expected to remain, a key factor for our cash flow operating activities.

During the last three financial years, we have used our strong cash flow from operating activities as well as the proceeds from the abovementioned disposals (most notably from the disposal of the GALERIA Kaufhof group) to reduce our Net Indebtedness. These efforts were supported by the generally favorable conditions in the financial markets during the past years characterized by overall low interest rates. As a result of our efforts we have reduced the Net Indebtedness of our Group from EUR 6,069 million as of September 30, 2014 to EUR 3,815 million as of September 30, 2015 and EUR 3,051 million as of September 30, 2016. As of March 31, 2017 our Net Indebtedness increased to EUR 3,902 million in line with, among others, changes in Net Working Capital (due to, in particular, typical seasonal fluctuations, but also affected by the Easter holidays falling in the third quarter of the current financial year and an increasing share of trade liabilities being settled through the trading and service co-operation Markant) and the payment of the purchase price in a low to mid three-digit Euro million range for the acquisition of the Pro à Pro group as well as the amount of EUR 221 million paid to CE Group under the stipulations of the Demerger Agreement to provide the required liquidity for the dividend distribution to the shareholders of the Existing Shareholder in February 2017.

Due to the Demerger, the previous investment grade rating of METRO Group will not automatically continue to exist. In order to continue obtaining favorable financing terms, we endeavor, after the Demerger, to meet the requirements for and obtain an investment grade rating. As of the date of the Prospectus, we have achieved preliminary investment grade ratings of "BBB-/A-3" from Standard & Poor's. If we fail to procure or maintain an investment grade rating, this may have a negative impact on our liquidity and group financing.

8.2.8. Currency Fluctuations

We conduct our business in approximately 30 currencies and prepare our consolidated financial statements in Euro. Changes in foreign currency exchange rates have affected, and

may continue to affect, for example, our results of operations and financial position, via our sales and costs, but also the value of our foreign assets and liabilities when reported in Euro.

In the financial year 2015/2016, we generated approximately 38% of our sales in countries with official currencies other than the Euro, including, in particular, in Russia, China, Turkey, Poland, Czech Republic, Romania and India. Our sales reported in Euro were significantly negatively impacted by exchange rate developments in the periods under review which mostly related to the continued depreciation of the Russian Ruble against the Euro. Also, the Kazakhstani Tenge, Ukrainian Hryvnia, Chinese Renminbi and Turkish Lira depreciated against the Euro during the period under review. For example, in 2015/2016, when using constant average exchange rates for the financial year 2015/2016 for both our financial years 2015/2016 and 2014/2015, our sales in 2014/2015 would have been EUR 803 million lower than reported. Furthermore, we also faced and may continue to face a certain transactional currency risk in our wholesale operations because only part of our purchases in the relevant countries is conducted in the same currency as we invoice our sales to customers. In the periods under review, we experienced also certain mitigating effects from foreign exchange rate effects, albeit at a much smaller scale. This included fluctuations in certain Asian currencies such as, *inter alia*, the Japanese Yen and, in the financial year 2014/2015, the Chinese Renminbi.

In addition to the effect on our sales as set out above, currency effects have in the past impacted and are expected to continue to impact our combined income statement in other ways as well. If a country operation is divested or closed down, any accumulated effects from past currency fluctuations will be recognized as profit or loss in our income statement. Effects of currency translation differences, which arise from translating the financial statements of foreign operations, amounted to EUR 44 million in 2015/2016, EUR (177) million in 2014/2015 and EUR (15) million in 2013/2014. These effects related in the periods under review mainly to entities in Russia and Ukraine and, in the financial year 2013/2014, also to accumulated effects from past currency fluctuations related to Real Turkey which we divested in July 2014.

In order to help manage our exchange rate risk, we enter into foreign exchange futures as well as currency swaps that generally cover parts of our expected net foreign currency exposure for that budget year. In accordance with Group guidelines foreign currency positions must generally be hedged at the time of their creation. Exceptions from this hedging requirement exist where hedging is not economically feasible and/or in the case of any legal or regulatory restrictions in the respective countries. Our hedging strategy enables us to partly mitigate the effects on our cash flows of an appreciation of the value of the Euro compared to the respective functional currencies of our foreign subsidiaries over a period of up to one year. However, it does not enable us to mitigate the risk of any long-term appreciation of the Euro compared to the respective functional currencies of our foreign subsidiaries. See also *8.9.2. "— Quantitative and Qualitative Disclosure of Financial Risks — Price Risks"* and *1.4.3. "Risk Factors — Risks Related to our Financial Profile — Our results of operations may be adversely affected by currency fluctuations."*.

8.2.9. Seasonality

Due to the nature of our business, we experience seasonal fluctuations in our operations, including a significant increase in sales in the fourth quarter of a calendar year (which corresponds to the first quarter of our financial year), and, in particular, in December prior to the New Year period. In addition, we have in the past generally generated a substantial share of our EBIT and EBIT Before Special Items in the first quarter of our financial year. This is generally followed by a customary post-holiday reduction of our sales in the first quarter of the following calendar year. Furthermore, changes in the dates of seasonal holidays such as the Easter holidays, Chinese New Year, the dragon boat festival or the mid-autumn festival can result in fluctuations of our sales in the respective months. Another important seasonal factor in our business is the effect of the tourism season in Southern Europe and Turkey. Overall, in the past, these fluctuations tended to balance each other out over the course of a whole financial year.

Also, our level of sales and implicitly Gross Profit generally fluctuates significantly during the course of the year due to changes in promotional activities, the customer mix and the category mix.

Our Net Working Capital also shows seasonal patterns. Investment in inventory generally reaches a peak in October and November while our trade payables typically peak in December

due to our general payment terms with suppliers. Furthermore, typical payment cycles within a week may materially affect the Net Working Capital position at the end of a reporting period.

8.3. Presentation of Financial Information

8.3.1. Basis of Preparation of our Combined Financial Statements

We have a "complex financial history" within the meaning of the EU Prospectus Regulation (Regulation (EU) 809/2004), since the legal reorganization and therefore the transfer of the business activities of the MWFS Group to the Company were not completed by September 30, 2016. Therefore, METRO AG has prepared combined financial statements for the carve-out entity MWFS Group which comprise the financial statements of the companies and activities of METRO Wholesale and Real as well as the central functions and real estate associated with this business.

Our Combined Financial Statements have been prepared in accordance with IFRS, as adopted by the European Union. The IFRS provide no guidelines for the preparation of combined financial statements. Therefore, as per IAS 8.12, the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and accepted industry practices shall be considered when preparing combined financial statements.

The Audited Combined Financial Statements represent our first IFRS financial statements as METRO AG (which prepared consolidated financial statements according to IFRS for the METRO Group) as a legal entity is not part of our combination group (however, certain assets and liabilities, income and expenses of METRO AG were allocated to MWFS Group based on economic principles). Based on the stipulations of the Demerger Agreement, they reflect the economic activities of the MWFS Group, which was under common control of METRO AG during the reporting periods presented in the Audited Combined Financial Statements. The date of the transition to IFRS is October 1, 2013. METRO AG prepared the Combined Financial Statements in accordance with IFRS 1 D16 (a). Accordingly, the Combined Financial Statements apply the predecessor accounting method.

The Combined Financial Statements present the economic activities of the MWFS Group companies and the MWFS Group as they have been included in the consolidated financial statements of METRO Group in the past. In the process, the same accounting principles and values on which the financial information in the consolidated financial statements of METRO Group have been based on, are generally applied to the Combined Financial Statements. Previous carrying amounts were not continued insofar as the underlying accounting principles and recognized amounts for the presentation of the MWFS Group as a group of companies that is independent of METRO Group would not have been compliant with IFRS. This included, for example, the classification pursuant to IAS 17 of cross-segment leases within METRO Group (*i.e.*, with entities within METRO Group but outside of MWFS Group, in particular Media-Markt and Saturn and, until September 30, 2015, GALERIA Kaufhof), which were consistently recognized as operating leases in segment reporting in the consolidated financial statements of METRO Group.

Until completion of the Demerger, the MWFS Group was and will be part of the group of companies of METRO AG and did not operate as an independent group. Thus, the Combined Financial Statements do not necessarily reflect the results that MWFS Group would have recorded as a separate, stand-alone group with own centralized functions during the years presented in the Combined Financial Statements. The Combined Financial Statements also do not serve as a guide to future results of the MWFS Group.

For example, the implementation of the Demerger may result in changes in personnel and cost structures at the Company as the holding company of the MWFS Group. As a result, deviations may occur in the net assets, financial position and results of operations of the MWFS Group in future financial years compared with the figures shown in the Combined Financial Statements.

8.3.2. Combination Group

The combination group for the Combined Financial Statements was defined on the basis of the economic activities of the Group. The Combined Financial Statements thus include those

assets and liabilities as well as expenses and income of METRO Group that were part of the economic activities of the MWFS Group in the past, *i.e.*, of the sales lines METRO Wholesale and Real as well as related service companies, all of which have been or will be transferred or spun-off to the MWFS Group as part of the legal reorganization of METRO Group (for the legal reorganization, see *3. "The Demerger and Listing"*). All economic activities of the combination group were under common control of METRO AG.

The business activities of the MWFS Group that were sold during the financial years 2015/2016, 2014/2015 and 2013/2014 were included in the combination group until the date of disposal. This applies, in particular, to the disposal of the Real businesses in Poland and Turkey as well as the wholesale businesses in Vietnam and Greece.

METRO AG, METRO Innovations Holding GmbH (as of September 30, 2016 a subsidiary of the Company) and MGC METRO Group Clearing GmbH (a service company of METRO Group) were companies with economic activities that cannot be uniformly assigned to the MWFS Group or the CE Group (so-called mixed companies). The allocation of assets and liabilities as well as expenses and income of these mixed companies in the Audited Combined Financial Statements corresponded to the stipulations of the Demerger Agreement and has been apportioned according to their economic affiliation. Thus, they have been included in the combination group insofar as they can be economically attributed to the MWFS Group. Upon completion of the Demerger, the Company will hold an interest of approximately 92.9% in METRO PROPERTIES GmbH & Co. KG while approximately 6.6% will be held by METRO AG. However, since METRO PROPERTIES GmbH & Co. KG was fully under common control of METRO AG, its assets and liabilities as well as expenses and income have been allocated to MWFS Group in the Audited Combined Financial Statements without recognizing the approximately 6.6% minority interest. In contrast, in the Unaudited Condensed Combined Interim Financial Statements this allocation of the economic activities of METRO AG was not necessary. This is because since October 1, 2016 METRO AG kept individual accounts both for the CE division and the MWFS division which were utilized in preparing the Unaudited Condensed Combined Interim Financial Statements. With respect to the other mixed companies (METRO Group Clearing GmbH and METRO Innovations Holding GmbH), expenses and income as well as assets and liabilities could already previously be allocated to MWFS Group and CE Group, respectively, without making use of allocation keys.

For example, with negligible exceptions, property, plant and equipment as well as intangible assets of METRO AG have been attributed to the MWFS Group. Claims of METRO AG against external pension providers related to pension commitments of METRO AG to active employees have been attributed to the MWFS Group or the CE Group on the basis of economic origin. In addition, METRO AG's entire net debt was attributed to the combination group insofar as it did not directly concern investments of the CE Group at METRO AG or finance leases attributable to the CE Group.

The aforementioned treatment of net debt and thus the balance of borrowings including finance leases and cash and cash equivalents according to the balance sheet as well as financial investments was in line with the management of debt metrics by the METRO Group and the MWFS Group, which consistently focuses on this balance rather than on the individual components. In addition, the allocation of net debt to the MWFS Group properly reflected financing requirements in economic terms: these financing requirements relate almost exclusively to the wholesale and food retail businesses as well as the associated real estate, while the CE Group and the GALERIA Kaufhof group mostly contributed net liquidity to the METRO Group's net debt. Along with the allocation of the net debt to the MWFS Group, cash and cash equivalents were also allocated to the MWFS Group.

This resulted in certain changes in this amount from cash inflows and outflows during the reporting period that are not attributable to the business activities of the MWFS Group. In the Combined Financial Statements, these cash inflows and outflows were shown as contributions and withdrawals, respectively. Among others, they related to the annual dividend payouts to the shareholders of METRO AG and to the purchase price received from the sale of the GALERIA Kaufhof group. Until September 30, 2015, the GALERIA Kaufhof group was part of METRO Group but not part of the economic activities of the MWFS Group. These contributions and withdrawals were disclosed as total amounts. Since September 30, 2016, the cash and cash equivalents of the Existing Shareholder have been allocated to MWFS Group in

accordance with the stipulations of the Demerger Agreement. As a result, no additional cash inflows and outflows occurred in the six-month period 2016/2017 which would have needed to be recognized as contributions to or withdrawals from equity.

Obligations for post-employment benefits plans towards active employees of METRO AG and related expenses have been attributed to the MWFS Group or the CE Group on the basis of economic origin. In accordance with the stipulations of the Demerger Agreement, pension commitments of METRO AG have not been included in the Combined Financial Statements insofar as they concern former employees.

The tax items of METRO AG (tax receivables and tax provisions or liabilities) as well as the associated expenses and income have been attributed to the MWFS Group or the CE Group on the basis of economic origin and applying the group allocation approach. Contingent liabilities of METRO AG towards third parties and related parties have been assumed and thus recognized in the Combined Financial Statements.

The items of the combined income statement of METRO AG have been apportioned to the MWFS Group and the CE Group on the basis of economic origin. In the process, headcount-based allocation keys were used in some cases, especially for personnel-related items. Depreciation, amortization and impairment losses of property, plant and equipment have been fully attributed to the MWFS Group in accordance with the classification of property, plant and equipment. The net financial result has been attributed to the MWFS Group in accordance with the attribution of the funds and financial liabilities. Interest on obligations for post-employment benefits plans has been apportioned in accordance with the attribution of the obligations. The tax items in the combined income statement of METRO AG have been attributed in accordance with the attribution of the respective balance sheet items. Transaction costs of METRO AG resulting from the Demerger have been fully attributed to the MWFS Group.

As of September 30, 2016, 2015 and 2014, aside from the Company, 196, 189 and 192 German and 205, 197 and 184 international companies were included in the Audited Combined Financial Statements, respectively. In the financial year 2015/2016, additions primarily related to the acquisition of the Rungis express group (10 companies). Additions in the financial year 2014/2015 exclusively reflect the acquisition of the Classic Fine Foods group (29 companies). In 2013/2014, additions primarily related to real estate companies of the Real segment (13 companies). As of March 31, 2017, in addition to the Company, 217 German and 213 international companies were included in the Unaudited Condensed Combined Interim Financial Statements. Additions in the six-month period 2016/2017 mainly related to the acquisition of the Pro à Pro group (11 companies).

For an overview of the accounting principles and the principles of combination used when preparing the Combined Financial Statements, see also *8.10. "— Critical Accounting Policies"* and the section "*Accounting principles and methods used in the combined financial statements*" contained in the Audited Combined Financial Statements in *20.* "*Financial Information*". Note, in particular, that in the Combined Financial Statements goodwill or purchase price adjustments resulting from the historical acquisition of combined companies by METRO AG were disregarded in the amounts recognized according to IFRS 1 (First-Time Adoption of International Financial Reporting Standards). Depreciation / amortization / impairment losses on disregarded goodwill and property, plant and equipment have therefore also been disregarded in the Combined Financial Statements. For information on risks related to potential future write-downs and impairments, see *1.4.4 "Risk Factors — Risks Related to our Financial Profile — Any write-downs or impairments on our assets, including goodwill and real estate, may have a material negative effect on our results of operations, financial position and cash flows as well as our ability to pay dividends.".*

Furthermore, the tax burden presented in the Combined Financial Statements may deviate from tax expenses or tax income that would result for the future incorporated companies in Germany as a stand-alone group. Upon completion of the Demerger, the deferred tax assets on tax loss carry forward for this group of incorporated companies will be re-measured. Upon termination of the tax group with METRO AG, the currently allocated deferred tax assets on tax loss carry forward must be derecognized through profit or loss. For information on risks related to potential loss of unutilized tax loss carry forward, see *1.6.3 "Risk Factors — Risks Related to the Demerger and Separation of our Business from the METRO Group — In the Demerger and/or the preparation of the Demerger detrimental tax effects, including the loss of*

unutilized tax loss carry forward and interest carry forwards of MWFS AG and its subsidiaries as well as significant corporate income and trade taxes at the level of the Existing Shareholder (of which 75% would in principle be borne by the Company), could be caused.".

In addition, in the consolidated financial statements of METRO Group, cross-segment, intra-group leases were treated as operating leases in segment reporting. As a result of the Demerger, individual leases that were previously classified as intra-group leases needed to be recognized by the MWFS Group according to IAS 17 (Leases) as the lessee is not part of the combination group. For the purpose of the Combined Financial Statements, these have been assessed as though the Demerger had already been implemented before the respective leases were concluded. For information on risks related to the prospective introduction of the newly revised leasing accounting standard (IFRS 16), see *1.5.3 "Risk Factors — Legal, Regulatory and Tax Risks — Increased governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety or trade could negatively affect our sales, profits and financial position in different ways.".*

8.3.3. Segments and Regions

8.3.3.1. Segments

Our segmentation corresponds to our internal steering, controlling and reporting structures. Our operating segments are aggregated to form reporting segments based on the division of the business into individual sectors.

In accordance with IFRS 8, we have identified the following reporting segments: METRO Cash & Carry, Real and Others.

Our METRO Cash & Carry segment operates with its "METRO" and "makro" brands in the cash-and-carry sector and primarily through the Pro à Pro group, the Classic Fine Foods group and the Rungis express group in FSD. To reflect the growing foodservice delivery operations, the METRO Cash & Carry segment will be renamed METRO Wholesale following the legal reorganization of METRO Group. Throughout the Prospectus we anticipate this name change and, thus, refer to the segment as METRO Wholesale. The METRO Wholesale segment focuses on three B2B customer groups: HoReCa, Trader and SCO.

Based on our three B2B customer groups, individual METRO Cash & Carry countries were classified into the three clusters HoReCa, Trader and Multispecialists (the latter comprising countries focusing on all three customer groups) which represent our operating segments as the allocation of resources and performance measurement based is on the three clusters. Since the three clusters currently display sufficient similarities with respect to their business model, their products and services as well as their customer structure, these three operating segments are bundled into one reporting segment in spite of their divergent strategic focus.

Real represents a separate operating and reporting segment of our Group as internal management with respect to the allocation of resources and performance measurement is separately applied to Real.

None of our remaining operations, including trading operations, real estate management and development as well as our central administrative functions, represent separate reporting segments and are, thus, reported under our Others segment.

Key components of our segment reporting (which might deviate from our reporting on Group level) include, among others, the following:

- **External sales (net)** represent sales of the reporting segments to third parties outside our combination group.
- **EBIT,** as the key ratio for our segment reporting, describes operating earnings for the period before net financial result and income taxes. Rental contracts within our combination group are recognized as operating leases in our segments. The properties are leased at market rates. In principle, store-related risks and recoverability risks related to non-current assets are only recognized in our segments where they represent risks for us. In analogy, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in our combined balance sheet.

- **EBIT Before Special Items**, as a non-IFRS key ratio for our segment reporting, describes the EBIT (as referred to above) adjusted for 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. Thus, EBIT Before Special Items better reflects ordinary business performance and contributes to a better understanding of the earnings position. For a definition of EBIT Before Special Items, see *2.8 "General Information — Note Regarding Non-IFRS Measures"*.
- **Investments** as shown in the segment reporting of the Combined Financial Statements include additions (including additions to the combination group) to goodwill, other intangible assets, property, plant and equipment as well as investment properties, except for additions due to the reclassification of "assets held for sale" as non-current assets.

8.3.3.2. Regions

Aside from the information on our reporting segments listed above, equivalent information is provided on our regions. Here, a distinction is made between the regions Germany, Western Europe (excluding Germany), Eastern Europe and Asia which are constituted as follows:

- Germany;
- Western Europe (excluding Germany) including Austria, Belgium, France, Italy, the Netherlands, Portugal and Spain;
- Eastern Europe including Bulgaria, Croatia, Czech Republic, Hungary, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Turkey and Ukraine; and
- Asia including China, India, Japan, Kazakhstan and Pakistan.

8.3.4. Key Items of our Combined Income Statement

The following section provides an explanation of certain key line items of our combined income statement. Please note that depending on the underlying circumstances, supplier compensation is recognized as either supplier discounts in cost of sales, reimbursements in selling expenses or payments for services rendered in other operating income. Supplier compensation is accrued as of the closing date insofar as it has been contractually agreed and is likely to be realized. Accruals relating to supplier compensation tied to certain targets for either the calendar or the financial year are based on projections.

- **Sales** primarily result from the sale of goods and services. Sales are shown after deduction of value added tax, rebates and customer discounts. Net sales are reported immediately upon rendering of our service or delivery of our 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 services, sales are recognized only if the probability of return can be reliably estimated. No sales are recognized for the portion allocated to the expected return; instead, a provision is recognized.
- **Cost of sales** include expenses for purchased goods and services as well as expenses for transportation of the goods to the various warehouses. Please note that only part of the purchased goods is recognized in our combined income statement while the rest is capitalized in our combined balance sheet.
- **Gross profit on sales** is calculated as sales less cost of sales.
- **Other operating income** primarily comprises rents including reimbursements of incidental rental expenses, service/cost refunds, services rendered to suppliers, gains from the disposal of fixed assets and gains from the reversal of impairment losses, income from deconsolidation and miscellaneous. Also shown as other operating income are performance-based government grants attributable to future periods. They are recognized on an accrual basis according to the corresponding expenses.
- **Selling expenses** include personnel expenses and non-personnel expenses. Personnel expenses include wages and salaries, social security expenses, other employee benefits and pension expenses in connection with defined benefit and defined contribution plans.

Non-personnel expenses consist of energy, maintenance, depreciation, advertising net of supplier reimbursements, leasing and other costs such as manpower leasing, non-income tax and travel.

- **General administrative expenses** include personnel expenses and non-personnel expenses. Personnel expenses include wages and salaries, social security expenses, other employee benefits and pension expenses in connection with defined benefit and defined contribution plans. Non-personnel expenses consist of energy, maintenance, depreciation, leasing and consultancy. Other administrative expenses relate to office supplies and pending legal proceedings.

- **Other operating expenses** consist of impairment losses on goodwill, losses from the disposal of fixed assets and miscellaneous. Operating expenses are recognized as expenses upon use of the service or on the date when they are caused.

- **Earnings share of operating companies recognized at equity** comprise the earnings of operating companies recognized at equity which, from financial year 2015/2016 onwards, are shown in the combined income statement. They include investment results (including gains or losses from selling such stakes, as the case may be) of EZW Kauf- und Freizeitpark GmbH & Co. Kommanditgesellschaft until its disposal in September 2016, and foreign real estate companies owning METRO Cash & Carry warehouse properties. The earnings share of non-operating companies recognized at equity is shown in the financial result.

- **Earnings before interest and taxes EBIT** describes operating earnings for the period before net financial result and income taxes.

- **Interest income** comprises interest income from finance leases, from post-employment benefits plans and from financial instruments of the measurement categories according to IAS 39.

- **Interest expenses** comprise interest expenses from finance leases, from post-employment benefits plans and from financial instruments of the measurement categories according to IAS 39.

- **Other financial result** is the balance of the other financial income and expenses from financial instruments. They are assigned to measurement categories on the basis of the underlying transactions pursuant to IAS 39.

- **Income taxes** are the expected taxes on income paid or owed in the individual countries as well as deferred taxes. Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets or liabilities in the combined financial statements and their tax base. Deferred tax assets are also considered for unused tax loss and interest carry-forwards. The disclosed income tax assets and liabilities concern domestic and foreign income taxes for the reporting year as well as prior years. They are determined in compliance with the tax laws of the respective country. The tax expenses shown for our Group are the total of the taxes that arise for the legal entities in the various jurisdictions in which we operate. Thus, income taxes may vary from period to period depending on shifts in taxable income by legal entity, country-specific changes in tax legislation, the availability of tax loss carry forward in particular jurisdictions and the specific contribution of each legal entity on a consolidated basis.

8.4. Comparison of Results of Operations for the Six-Month Period 2016/2017 and the Six-Month Period 2015/2016

The following table shows information from our combined income statement for the six-month periods 2016/2017 and 2015/2016:

(in EUR million, unless otherwise indicated)	For the six-month period 2016/2017	2015/2016 (unaudited)	Change (in %)
Sales	**18,608**	**18,515**	**0.5%**
external sales (net) of METRO Wholesale	14,867	14,535	2.3%
external sales (net) of Real	3,718	3,945	(5.7)%
external sales (net) of Others	22	36	(37.7)%
Cost of sales	(15,095)	(14,976)	(0.8)%
Gross profit on sales	**3,513**	**3,539**	**(0.7)%**
Other operating income	562	938	(40.1)%
Selling expenses	(3,030)	(3,061)	1.0%
General administrative expenses	(483)	(486)	0.8%
Other operating expenses	(65)	(58)	(11.0)%
Earnings share of operating companies recognized at equity	7	2	210.0%
Earnings before interest and taxes EBIT	**504**	**874**	**(42.3)%**
thereof METRO Wholesale	534	872	(38.8)%
thereof Real	24	69	(65.6)%
thereof Others	(51)	(64)	20.0%
Earnings share of non-operating companies recognized at equity	0	3	(100.0)%
Other investment result	(7)	0	—
Interest income	14	22	(37.9)%
Interest expenses	(99)	(139)	28.7%
Other financial result	18	(93)	119.2%
Net financial result	**(75)**	**(207)**	**63.8%**
Combined earnings before taxes EBT	**429**	**667**	**(35.6)%**
Income taxes	(250)	(334)	25.1%
Combined profit or loss for the period after taxes	**179**	**333**	**(46.2)%**
Profit or loss for the period attributable to non-controlling interests	14	9	49.5%
Profit or loss for the period attributable to METRO Group	165	323	(48.9)%

8.4.1. Sales

In the six-month period 2016/2017, our sales increased by EUR 92 million, or 0.5%, to EUR 18,608 million from EUR 18,515 million in the six-month period 2015/2016.

The main reason for this increase was the increase of external sales (net) attributable to our METRO Wholesale segment which increased by EUR 332 million, or 2.3%, to EUR 14,867 million in the six-month period 2016/2017 from EUR 14,535 million in the six-month period 2015/2016. This increase was mainly due to a significant increase of the Delivery Sales attributable to our METRO Wholesale segment. Delivery Sales increased from approximately EUR 1.7 billion in the six-month period 2015/2016 to approximately EUR 2.1 billion in the six-month period 2016/2017. This increase was to some extent due to the acquisition of the Rungis express group with effect as of April 1, 2016 (external sales (net) of EUR 68 million attributable to our METRO Wholesale segment in the first half of 2016/2017 since first time consolidation) and of the Pro à Pro group with effect as of February 1, 2017 (external sales (net) of EUR 124 million attributable to our METRO Wholesale segment in the first half of 2016/2017 since first time consolidation) which resulted in additional Delivery Sales in the six-month period 2016/2017 as compared to the six-month period 2015/2016. Irrespective of the aforementioned acquisitions, our delivery business also realized significant organic growth in the six-month period 2016/2017 driven by leveraging our existing warehouse network through out-of-store delivery capabilities and expanding our delivery depot network.

Furthermore, foreign exchange rate fluctuations had a positive effect on the METRO Wholesale segment's external sales (net) in the six-month period 2016/2017. On a constant currency basis, *i.e.*, when translating foreign currency sales in the six-month period 2015/2016 using the average exchange rates for the six-month period 2016/2017, the increase in METRO Wholesale segment's external sales (net) in the six-month period 2016/2017 would have been EUR 165 million lower. This effect on sales from foreign exchange rate fluctuations was

attributable to the strengthening primarily of the Russian Ruble but also the Pakistani and Indian Rupee as well as the Japanese Yen which overcompensated the negative currency effects resulting mainly from the depreciation of the Turkish Lira, Chinese Renminbi, Ukrainian Hryvnia, Romanian Lej and Polish Zloty in the six-month period 2016/2017.

An opposing effect resulted from the disposal of our wholesale activities in Vietnam in December 2015. Consequently, until this date the wholesale activities in Vietnam still contributed to our sales in the amount of EUR 118 million for the six-month period 2015/2016, whereas it did not contribute any sales in the six-month period 2016/2017.

On a like-for-like basis, our sales attributable to our METRO Wholesale segment in the six-month period 2016/2017 increased by 0.4% as compared to the six-month period 2015/2016 despite certain calender effects including one less selling day in the six-month period 2016/2017 as compared to the six-month period 2015/2016 which was a leap year as well as the Easter business, being in April 2017 (*i.e.*, in the third quarter of our financial year) vis-à-vis March 2016 (*i.e.*, in the second quarter of our financial year). Like-for-like sales in local currency increased most notably in Turkey, China, Ukraine, India, Pakistan and Romania while like-for-like sales declined most notably in Germany and the Netherlands due to the continued transformation and the challenging market environment in such countries. Russia, on a like-for-like and constant currency basis, also performed below previous year's level in the six-month period 2016/2017 due to a challenging market environment with high levels of price investments such as promotions or rebates.

External sales (net) attributable to our Real segment decreased by EUR 226 million, or 5.7%, to EUR 3,718 million in the six-month period 2016/2017 from EUR 3,945 million in the six-month period 2015/2016. This decrease of our Real segment's external sales (net) was to a significant extent due to the closure of nine hypermarkets and, in addition, the calendar effects as set out above. On a like-for-like basis, sales attributable to the Real segment in the six-month period 2016/2017 decreased less pronounced by 3.4% in yet again very challenging market conditions characterized by intense competition, and due to the calender effects described above. A balancing effect resulted from the positive development of online sales attributable to the Real segment which increased to approximately EUR 53 million in the first half of 2016/2017 as compared to approximately EUR 37 million in the first half of 2015/2016 driven, in particular, by organic growth, as well as the acquisition of "Hitmeister.de" and subsequent integration into our online platform "real.de" in February 2017.

The following table shows our external sales (net) per region for the six-month periods 2016/2017 and 2015/2016:

(in EUR million, unless otherwise indicated)	For the six-month period 2016/2017	For the six-month period 2015/2016	Change (in %)
	(unaudited)	(unaudited)	
External sales (net)	**18,608**	**18,515**	**0.5%**
thereof Germany	6,089	6,387	(4.7)%
thereof Western Europe (excluding Germany)	5,084	5,016	1.3%
thereof Eastern Europe	5,094	4,807	6.0%
thereof Asia	2,340	2,305	1.5%

On a regional basis, our external sales (net) attributable to Eastern Europe grew by EUR 287 million, or 6.0%, to EUR 5,094 million in the six-month period 2016/2017 from EUR 4,807 million in the six-month period 2015/2016. Generally, warehouse openings and our strong like-for-like performance supported our growth in several Eastern European countries. In particular, Turkey and Ukraine developed very positively on a constant currency basis in spite of a challenging political environment. In addition, sales in Russia increased in the six-month period 2016/2017 as compared to the six-month period in 2015/2016 in spite of intense price competition due to the continued expansion of our business. Moreover, the development of our reported sales in Russia was significantly supported by positive currency effects resulting from the appreciation of the Russian Ruble. However, on a constant currency basis our like-for like sales in Russia declined in the six-month period 2016/2017 as compared to the previous financial year's period due to price investments such as promotions or rebates in the Russian market. Also, the consumer spending on perishable goods failed to keep up with the general improvement of the Russian economy.

External sales (net) attributable to Western Europe (excluding Germany) also increased by EUR 68 million, or 1.3%, from EUR 5,016 million in the six-month period 2015/2016 to EUR 5,084 million in the six-month period 2016/2017. This increase resulted, in particular, from the acquisition of the Pro à Pro group which contributed EUR 124 million in external sales (net) in the first half of 2016/2017 since its first time consolidation and a solid performance of our wholesale business in certain countries of Southern Europe such as Portugal and Spain. On the other hand, countries such as the Netherlands and Belgium had a negative impact on the development of our external sales (net) attributable to Western Europe (excluding Germany) due to the remodeling of certain warehouses within the ongoing restructuring program which caused negative effects on customer visits.

In addition, external sales (net) attributable to Asia increased by EUR 36 million, or 1.5%, from EUR 2,305 million in the six-month period 2015/2016 to EUR 2,340 million in the six-month period 2016/2017, despite the aforementioned disposal of our wholesale activities in Vietnam. The solid sales growth in the region was, in particular, supported by the development of our operations in China, India and Pakistan.

In contrast, external sales (net) attributable to Germany decreased substantially by EUR 298 million, or 4.7%, to EUR 6,089 million in the six-month period 2016/2017 from EUR 6,387 million in the six-month period 2015/2016, particularly as a result of the aforementioned negative impact from both our Real and our German METRO Wholesale businesses. A notable balancing effect resulted from the acquisition of the Rungis express group in April 2016 which contributed EUR 68 million to our external sales (net) attributable to Germany in the six-month period 2016/2017 with no such contribution in the six-month period 2015/2016. The integration of "Hitmeister.de" into the real.de online presence as well as organic growth of Real's online business contributed positively to the sales development within the six-month period 2016/2017 vis-à-vis the same period in the previous financial year.

8.4.2. Gross Profit on Sales

In the six-month period 2016/2017, our gross profit on sales slightly decreased by EUR 26 million, or 0.7%, to EUR 3,513 million from EUR 3,539 million in the six-month period 2015/2016. This decrease was a result of the increase of our cost of sales which rose more strongly than our sales by EUR 119 million, or 0.8%, to EUR 15,095 million in the six-month period 2016/2017 from EUR 14,976 million in the six-month period 2015/2016. This disproportional increase in cost of sales was mainly due to price investments such as promotions or rebates particularly in Russia. A balancing effect of EUR 20 million resulted from revised estimates and assumptions related to the expected utilization of current provisions in the six-month period 2016/2017 as compared to the six-month period 2015/2016.

Expressed as a percentage of sales, our gross profit on sales decreased from 19.1% in the six-month period 2015/2016 to 18.9% in the six-month period 2016/2017. This development was mainly due to price investments such as promotions or rebates as well as lower levels of commercial income in Russia as a result of uncertainties in connection with the introduction of new trade legislation which is, in our opinion temporarily, limiting the administration of subsequent refunds and merchandise allowances. Also, intense competition and challenging market conditions in various countries, in particular, in Belgium and the Netherlands negatively affected our gross profit on sales-margin in the six-month period 2016/2017.

8.4.3. Other Operating Income

In the six-month period 2016/2017, our other operating income decreased substantially by EUR 376 million, or 40.1%, to EUR 562 million from EUR 938 million in the six-month period 2015/2016.

This decrease was mainly due to income from deconsolidation which amounted to EUR 451 million in the six-month period 2015/2016, and essentially included income from the disposal of our wholesale activities in Vietnam with no such income in the six-month period 2016/2017.

In addition, income from services/cost refunds (which concerned services rendered to third parties including related parties) decreased by EUR 23 million, or 21.5%, from EUR 106 million in the first half of 2015/2016 to EUR 83 million in the first half of 2016/2017 and related mostly to services rendered to entities of CE Group and rental agreements concerning ancilliary areas including ancillary costs due to the disposal of selected hypermarkets and the above mentioned MediaMarkt Munich. Moreover, income from services rendered to suppliers decreased by EUR 13 million, or 17.3%, to EUR 63 million in the six-month period 2016/2017 as compared to EUR 76 million in the six-month period 2015/2016. This resulted, among others, from the disposals of our wholesale activities in Vietnam which was divested in December 2015 and therefore still contributed to other operating income for three months in the six-month period 2015/2016.

As an opposing effect, gains from the disposal of fixed assets and gains from the reversal of impairment losses increased by EUR 114 million from EUR 24 million in the six-month period 2015/2016 to EUR 138 million in the six-month period 2016/2017. This increase was mainly due to higher income from the disposal of real estate (including both real estate which will be prospectively utilized in full by, or predominately let to, third parties as well as real estate classified as investment properties) including, in particular the disposal of a Media-Markt store in Munich and a warehouse including its plot in China, as set out above.

8.4.4. Selling Expenses

In the six-month period 2016/2017, our selling expenses decreased by EUR 31 million, or 1.0%, to EUR 3,030 million from EUR 3,061 million in the six-month period 2015/2016. This decrease was due to declining personnel expenses.

Personnel expenses reported in selling expenses decreased by EUR 47 million, or 2.9%, from EUR 1,608 million in the six-month period 2015/2016 to EUR 1,561 million in the six-month period 2016/2017 and essentially resulted from beneficial effects of the restructuring of our wholesale business in Germany, disposals of select hypermarkets as well as effects of the tariff agreement (*Zukunftstarifvertrag*) at Real reached in 2016. Additionally, cost savings, in particular, in France, Turkey, Italy, Belgium and Netherlands were able to overcompensate inflationary cost pressure observed, for example, in Russia and China. The newly acquired Rungis express group, consolidated only from April 2016, added EUR 12 million to the personnel expenses within selling expenses, only partially compensated by a reduction of EUR 4 million in the same line item resulting from the disposal of our wholesale activities in Vietnam in December 2015.

In contrast, non-personnel expenses reported in selling expenses increased by EUR 16 million, or 1.1%, to EUR 1,469 million in the six-month period 2016/2017 from EUR 1,452 million in the six-month period 2015/2016. This increase was mainly due to higher marketing expenses, increased depreciation / amortization / impairment losses and costs for temporary workers and transportation fees related to the expansion of our delivery business. Moreover, the six-month period 2016/2017 was characterized by reduced rental expenses within the real estate entities in Turkey as well as at Real (the latter in connection with the closure of select hypermarkets).

8.4.5. General Administrative Expenses

In the six-month period 2016/2017, our general administrative expenses decreased slightly by EUR 4 million, or 0.8%, to EUR 483 million from EUR 486 million in the six-month period 2015/2016.

This decrease was a result of reduced personnel costs reported in general administrative expenses which decreased by EUR 8 million, or 2.7%, from EUR 276 million in the six-month period 2015/2016 to EUR 269 million in the six-month period 2016/2017. The main reasons for this decrease were the restructuring initiatives previously undertaken at our headquarters in Dusseldorf and at local headquarters, in particular Germany and the Netherlands. In the latter, provisions for expected severance payments within the planned restructuring were recognized within the first half year of 2015/2016 while no such expenses were incurred in the six-month period of 2016/2017. Additionally, expenses for provisions for short-term incentives (STI) were

lower than in the six-month period 2015/2016 and added to the positive development in the six-month period 2016/2017. A balancing effect resulted from higher restructuring expenses which we incurred in connection with our various restructuring and efficiency-enhancing measures, including the restructuring at Real.

As a slight counter effect, non-personnel expenses reported in general administrative expenses increased by EUR 4 million, or 1.7%, to EUR 214 million in the six-month period 2016/2017 from EUR 210 million in the six-month period 2015/2016, mainly due to higher expenses for HoReCa digital as well as costs for restructuring and efficiency-enhancing measures related to our Real headquarters. The additional costs related to the demerger, primarily advisor expenses, were largely compensated by the lower non-personnel expenses vis-à-vis the six-month period in the previous financial year as the six-month period 2015/2016 still included the costs of our wholesale operations in Vietnam as well as costs related to the disposal of such operations.

8.4.6. Other Operating Expenses

In the six-month period 2016/2017, our other operating expenses increased by EUR 6 million, or 11.0%, to EUR 65 million in the first half of 2016/2017 from EUR 58 million in the first half of 2015/2016) as an increase in losses from the disposal of fixed assets in the amount of EUR 12 million in the first half of 2016/2017 (thereof EUR 10 million attributable to the disposal of real estate) could not completely be offset by various other cost savings.

8.4.7. Earnings Share of Operating Companies Recognized at Equity

The earnings share of operating companies recognized at equity amounted to EUR 7 million in the six-month period 2016/2017 and included as a main effect at-equity results from non-controlling ownership shares in real estate companies which let real estate to our operating entities in various countries. In the six-month period 2015/2016, earnings share of operating companies recognized at equity amounted to EUR 2 million.

8.4.8. Earnings before Interests and Taxes EBIT

In the six-month period 2016/2017, our earnings before interest and taxes (EBIT) decreased by EUR 369 million, or 42.3%, to EUR 504 million from EUR 874 million in the six-month period 2015/2016. Expressed as a percentage of sales, our EBIT decreased from 4.7% in the six-month period 2015/2016 to 2.7% in the six-month period 2016/2017.

In absolute terms, this EBIT decrease was to the largest part attributable to our METRO Wholesale segment where segment EBIT decreased by EUR 338 million, or 38.8%, to EUR 534 million in the six-month period 2016/2017 from EUR 872 million in the six-month period 2015/2016. This decrease was particularly driven by the aforementioned disposal of our wholesale activities in Vietnam in December 2015 with an EBIT contribution resulting from the deconsolidation of EUR 437 million in the six-month period 2015/2016 and no such effect in the six-month period 2016/2017. Due to its non-recurring nature, this disposal was classified as a special item on EBIT-level. In contrast, in the six-month period 2016/2017, special items primarily concerned expenses from restructuring measures, among others related to planned warehouse closures, and efficiency-enhancing measures of which a significant part related to an adjustment of our overall assortment in Belgium as well as costs in connection with the reorganization of certain holding functions at our headquarters in Dusseldorf. In the aggregate, our METRO Wholesale segment recorded positive special items on EBIT-level in first half of 2015/2016 of EUR 373 million, whereas in the first half of 2016/2017 expenses of EUR 31 million were classified as negative special items on EBIT-level.

When eliminating the effects of those special items on EBIT-level, EBIT Before Special Items attributable to our METRO Wholesale segment increased by EUR 66 million, or 13.2%, to EUR 565 million in the six-month period 2016/2017 from EUR 499 million in the six-month period 2015/2016. This improvement was mainly due to the EBIT contribution of EUR 81 million from a real estate transaction in China and beneficial exchange rate effects mainly related to the Russian Ruble which positively affected our EBIT Before Special Items. In addition, savings from the reorganization of our headquarters in Dusseldorf initiated in the financial year 2015/2016, the strong operating performance of select countries such as China, Turkey, Romania and Poland and, to a lesser extent, the first time consolidation of the Pro à Pro group positively affected our EBIT Before Special Items attributable to the METRO Wholesale

segment. In contrast, intense price competition, particularly in Russia, as well as certain warehouse remodelings particularly in the Netherlands and Belgium negatively impacted our EBIT Before Special Items in the first half of 2016/2017. A minor negative effect also resulted from the disposal of our wholesale activities in Vietnam which impacted our EBIT Before Special Items because the business had contributed EUR 7 million to our EBIT Before Special Items in the first half of 2015/2016 with no such contribution in the first half of 2016/2017.

EBIT attributable to our Real segment decreased by EUR 45 million, or 65.6%, to EUR 24 million in the six-month period 2016/2017 from EUR 69 million in the six-month period 2015/2016 as the segment's EBIT in the six-month period 2016/2017 was particularly affected by expenses of EUR 47 million classified as special items on EBIT-level that were predominantly related to the reorganization and restructuring of Real's administrative functions which is expected to include a reduction of up to 500 FTE until mid-2018. When eliminating those effects from special items on EBIT-level, EBIT Before Special Items of the Real segment increased slightly from EUR 69 million in the six-month period 2015/2016 by EUR 1 million, or 2.0%, to EUR 70 million due to the closure of loss-making hypermarkets, a one-time gain from divesting the real estate housing the Real headquarters in Mönchengladbach within the course of the headquarters restructuring, reduced personnel expenses and impacts from collaborating with the trading and service co-operation Markant.

EBIT of our Others segment increased by EUR 13 million, or 20.0% to EUR (51) million in the first half of 2016/2017 as compared to EUR (64) million in the first half of 2015/2016. In the six-month period 2016/2017, EBIT of our Others segment was impacted by higher expenses which were classified as special items on EBIT-level and which amounted to EUR 28 million in the six-month period 2016/2017 and mainly related to one-time expenses in connection with the preparation and implementation of the Demerger and Listing, compared to negative special items of EUR 1 million in the six-month period 2015/2016. When eliminating those effects from special items on EBIT-level, the Others segment's EBIT Before Special Items improved by EUR 39 million, or 62.8%, from EUR (62) million in the six-month period 2015/2016 to EUR (23) million in the six-month period 2016/2017. This increase of EBIT Before Special Items of our Others segment resulted mainly from the sale of a partial ownership of a property in Munich in the first half of 2016/2017 (EUR 42 million) which has been mainly utilized by Media-Saturn and which was partially offset by higher costs, among these higher spending on certain innovation projects related to our HoReCa digital unit.

8.4.9. Net Financial Result

In the six-month period 2016/2017, our net financial result improved by EUR 132 million, or 63.8%, to EUR (75) million from EUR (207) million in the six-month period 2015/2016.

The following table shows a breakdown of our net financial result for the six-month periods 2016/2017 and 2015/2016:

(in EUR million, unless otherwise indicated)	For the six-month period 2016/2017	For the six-month period 2015/2016	Change (in %)
	(unaudited)	(unaudited)	
Net financial result	**(75)**	**(207)**	**63.8%**
Earnings share of non-operating companies recognized at equity	0	3	(100)%
Other investment result	(7)	0	—
Interest income	14	22	(37.9)%
Interest expenses	(99)	(139)	28.7%
Other financial result	18	(93)	119.2%

The main reason for this improvement was our other financial result which increased by EUR 111 million to EUR 18 million in the six-month period 2016/2017 from EUR (93) million in the six-month period 2015/2016. This development was mainly due to beneficial currency effects as well as measurement results from hedging transactions and hedging relationships which improved by EUR 55 million. In addition, improvements in currency effects resulting from the translation of the financial statements of foreign subsidiaries that are recognized through profit or loss in the year the subsidiary is deconsolidated or in connection with business activities which are discontinued also contributed to the improvement of our other financial result in the amount of EUR 41 million. The effects of EUR (23) million in the six-month period 2015/2016 largely resulted from the disposal of our wholesale activities in Vietnam while the effects of EUR 18 million in the six-month period 2016/2017 were primarily attributable to the

discontinuation of our business activities in Egypt. Although the warehouses in Egypt were closed in previous years, the companies still existed. These ongoing negative impacts from currency translation were mostly offset by positive currency effects which were part of the above-mentioned EUR 55 million improvement in the six-month period 2016/2017 vis-à-vis the previous financial year's six-month period.

In addition, lower interest expenses which decreased by EUR 40 million, or 28.7%, to EUR 99 million in the six-month period 2016/2017 from EUR 139 million in the six-month period 2015/2016 also contributed to the improved net financial result in the first half of 2016/2017. This decrease in interest expenses resulted both from favorable refinancing opportunities in the financial markets and the continued overall reduction of our borrowings.

8.4.10. Income Taxes

In the six-month period 2016/2017, our income tax expenses decreased by EUR 84 million, or 25.1%, to EUR 250 million from EUR 334 million in the six-month period 2015/2016. The calculation of tax expenses is based on the so-called integral approach whereby the reported tax expenses correspond to the expected tax ratio as of the end of the respective financial year. The decrease in income tax expenses as set out above was mainly due to decline of our combined earnings before taxes EBT which decreased by EUR 237 million, or 35.6%, to EUR 429 million in the six-month period 2016/2017 from EUR 667 million in the six-month period 2015/2016 largely as a result of the extraordinary income from the aforementioned disposal of our wholesale activities in Vietnam in the first half of 2015/2016 with no such income in the first half of 2016/2017.

8.4.11. Combined Profit or Loss for the Period after Taxes

In the six-month period 2016/2017, our combined profit for the period after taxes decreased by EUR 154 million, or 46.2%, to EUR 179 million from EUR 333 million in the six-month period 2015/2016. This development was due to our significantly decreased EBIT (including in the six-month period 2015/2016 the income from the divestment of our wholesale operations in Vietnam) which was only partially compensated for by the substantially improved net financial result and tax expenses, both as further explained above.

8.5. Comparison of Results of Operations for the Financial Year 2015/2016 and the Financial Year 2014/2015

The following table shows information from our combined income statement for the financial years 2015/2016 and 2014/2015:

(in EUR million, unless otherwise indicated)	For the financial year 2015/2016	2014/2015	Change (in %)
	(audited)		(unaudited)
Sales	**36,549**	**37,496**	**(2.5)%**
external sales (net) of METRO Wholesale	29,000	29,692	(2.3)%
external sales (net) of Real	7,478	7,736	(3.3)%
external sales (net) of Others	72	67	8.1%
Cost of sales	(29,560)	(30,421)	2.8%
Gross profit on sales	**6,989**	**7,075**	**(1.2)%**
Other operating income	1,462	1,264	15.6%
Selling expenses	(6,171)	(6,350)	2.8%
General administrative expenses	(1,058)	(992)	(6.6)%
Other operating expenses	(105)	(137)	23.4%
Earnings share of operating companies recognized at equity	102	0	—
Earnings before interest and taxes EBIT	**1,219**	**860**	**41.6%**
thereof METRO Wholesale	1,271	1,013	25.5%
thereof Real	108	10	1,021.8%
thereof Others	(156)	(155)	(0.4)%
Earnings share of non-operating companies recognized at equity	3	2	64.7%
Other investment result	(3)	1	(684.5)%
Interest income	65	55	19.1%
Interest expenses	(276)	(309)	10.5%
Other financial result	(114)	(143)	20.3%
Net financial result	**(325)**	**(394)**	**17.6%**
Combined earnings before taxes EBT	**894**	**466**	**91.7%**
Income taxes	(375)	(201)	(87.0)%
Combined profit or loss for the period after taxes	**519**	**265**	**95.3%**
Profit or loss for the period attributable to non-controlling interests	13	11	13.2%
Profit or loss for the period attributable to METRO Group	506	254	98.9%

8.5.1. Sales

In the financial year 2015/2016, our sales decreased by EUR 946 million, or 2.5%, to EUR 36,549 million from EUR 37,496 million in the financial year 2014/2015.

The main reason for this decrease was a decline of sales attributable to our METRO Wholesale segment where external sales (net) decreased by EUR 693 million, or 2.3%, to EUR 29,000 million in 2015/2016 from EUR 29,692 million in 2014/2015. This decrease of our METRO Wholesale segment's external sales (net) was to a significant extent due to negative effects from foreign exchange rate fluctuations, as well as, to a more minor extent, to select disposals including, most notably, the disposal of our wholesale activities in Vietnam. In particular, effects from foreign exchange rate fluctuations negatively affected METRO Wholesale segment's external sales (net) in 2015/2016 as compared to 2014/2015. On a constant currency basis, *i.e.*, when translating foreign currency sales in the financial year 2014/2015 using the average exchange rates for the financial year 2015/2016, the decrease of our METRO Wholesale segment's external sales (net) would have been EUR 803 million lower. These effects from foreign exchange rate fluctuations on our sales were predominantly related to the continued depreciation of the Russian Ruble against the Euro. The Ukrainian Hryvnia, Turkish Lira and Chinese Renminbi also depreciated in 2015/2016 negatively impacting our sales reported in Euro. The disposal of our wholesale activities in Vietnam was completed in December 2015, meaning that, in the financial year 2015/2016, this business only contributed to our sales for three full months, whereas it contributed to our sales for the entire period of the prior financial year. As a consequence, the disposal negatively impacted the external sales (net) of our METRO Wholesale segment as there was a sales contribution from the disposed business of EUR 118 million in 2015/2016 as compared to a sales contribution of EUR 507 million in 2014/2015.

These negative effects were partly compensated by a significant increase of the Delivery Sales attributable to our METRO Wholesale segment. Delivery Sales increased from approximately EUR 3,100 million in 2014/2015 to approximately EUR 3,700 million in 2015/2016. This increase was to some extent due to the acquisition of the Classic Fine Foods group which we consolidated on September 1, 2015 for the first time, meaning that sales attributable to this business only were included in 2014/2015 for one month, whereas this business contributed to our sales in 2015/2016 for the entire period. If the business had been acquired on October 1, 2014, the Classic Fine Foods group would have contributed EUR 215 million to our sales in 2014/2015. Furthermore, the acquisition of the Rungis express group with effect as of April 1, 2016 resulted in additional Delivery Sales through initial sales contributions for six months in 2015/2016. If the Rungis express group had been acquired on October 1, 2015, it would have contributed EUR 139 million to our sales in 2015/2016. Irrespective of the aforementioned acquisitions, our delivery business also realized significant organic growth in 2015/2016 by leveraging our existing warehouse network through out-of-store delivery capabilities and expanding our delivery depot network. From a customer perspective, the delivery business has been primarily driven by an increased sales share with HoReCa customers in this period as compared to the prior financial year. Furthermore, warehouse openings, predominantly in our key expansion countries including Russia, China and India also positively contributed to our METRO Wholesale external sales (net) in 2015/2016 as compared to the previous financial year.

External sales (net) attributable to our Real segment also decreased by EUR 259 million, or 3.3%, to EUR 7,478 million in 2015/2016 from EUR 7,736 million in 2014/2015 mainly due to portfolio optimizations, in particular, closure of select underperforming hypermarkets in the context of the strategic repositioning of Real in the German food retail market by which we reduced the overall number of hypermarkets from 293 as of September 30, 2015 to 285 as of September 30, 2016. On a like-for-like basis, sales attributable to the Real segment in 2015/2016 decreased less pronounced by 1.1% in yet again very challenging market conditions characterized by intense competition. This development was partly attributable to the modernization of additional 57 hypermarkets in 2014/2015 as part of our Big Bang program, effects from the 50 hypermarkets modernized in the previous financial year as well as our renewed emphasis on customer centricity and sqm productivity; measures which were initiated in 2014/2015 and which showed increasingly positive effects in 2015/2016.

The following table shows our external sales (net) per region for the financial years 2015/2016 and 2014/2015:

(in EUR million, unless otherwise indicated)	For the financial year 2015/2016	2014/2015	Change (in %)
	(audited)		(unaudited)
External sales (net)	**36,549**	**37,496**	**(2.5)%**
thereof Germany	12,279	12,478	(1.6)%
thereof Western Europe (excluding Germany)	10,173	10,247	(0.7)%
thereof Eastern Europe	9,828	10,441	(5.9)%
thereof Asia	4,269	4,330	(1.4)%

On a regional basis, our external sales (net) attributable to Eastern Europe decreased disproportionately by EUR 613 million, or 5.9%, to EUR 9,828 million in 2015/2016 from EUR 10,441 million in the previous financial year as sales in this region were particularly strongly affected by the significant depreciation of local currencies, such as the Russian Ruble, against the Euro. However, calculated in local currencies, our external sales (net) attributable to Eastern Europe increased in almost all countries pertaining to the region. Generally, warehouse openings and our strong like-for-like performance supported our growth in several Eastern European countries. Although like-for-like sales in Russia declined in 2015/2016, the trend reversed over the course of the financial year while the further expansion helped to mitigate negative sales impacts in Russia.

External sales (net) attributable to Germany decreased by EUR 199 million, or 1.6%, to EUR 12,279 million in 2015/2016 from EUR 12,478 million in 2014/2015, particularly as a result of the aforementioned negative impact from our Real business, while external sales (net) attributable to our METRO Wholesale segment in Germany were slightly increased as compared to the previous financial year.

External sales (net) attributable to Western Europe (excluding Germany) decreased by EUR 74 million, or 0.7%, from EUR 10,247 million in 2014/2015 to EUR 10,173 million in 2015/2016. This decrease resulted predominantly from difficult market conditions in the Netherlands and Belgium. In contrast, our wholesale business demonstrated a solid performance in Southern Europe including France despite the subdued economy in the aftermath of terrorist attacks in Paris in November 2015. Also, Italy and Spain showed significant improvements versus the previous financial year resulting, among others, from the early effects of our clear local strategy and the strong performance of the tourism industry in these countries. However, the strong development in southern Europe could not fully compensate for the difficult business conditions in the Netherlands and Belgium.

External sales (net) attributable to Asia decreased by EUR 61 million, or 1.4%, from EUR 4,330 million in 2014/2015 to EUR 4,269 million in 2015/2016. This decrease mainly resulted from the aforementioned disposal of our wholesale activities in Vietnam. In contrast, on a like-for-like basis, the solid growth in the region continued irrespective of the slower than expected growth of the Chinese economy in 2015/2016. In particular, India contributed to this Like-for-like Sales Growth performing in line with historic trends. In addition, the first-time full-year sales contribution of Classic Fine Foods in the financial year 2015/2016 as detailed above also positively impacted our sales attributable to Asia.

8.5.2. Gross Profit on Sales

In the financial year 2015/2016, our gross profit on sales slightly decreased by EUR 86 million, or 1.2%, to EUR 6,989 million from EUR 7,075 million in the financial year 2014/2015. This decrease was largely in line with the decline of our reported sales. In addition, our cost of sales decreased by EUR 860 million, or 2.8%, from EUR 30,421 million in 2014/2015 to EUR 29,560 million in 2015/2016 largely in line with the decline in sales. In addition, collaborating with the trading and service co-operations Markant and PHD with respect to, for example, joint purchasing and settlement and, with respect to our Real segment, effects from the abovementioned tariff agreement (*Zukunftstarifvertrag*) and hypermarket closures, each favorably affected our cost of sales in 2015/2016 as compared to 2014/2015.

Expressed as a percentage of sales, our gross profit on sales increased from 18.9% in the financial year 2014/2015 to 19.1% in the financial year 2015/2016. This improvement was partly

due to a change in our customer mix, in particular, the increased sales share which we generated with HoReCa customers as set out above which positively impacted our gross profit on sales-margin as HoReCa customers typically demand high-quality products with higher gross profit on sales-margins. Furthermore, the continued expansion of our FSD business, in particular, the acquisition of Classic Fine Foods in September 2015 which is active in many Asian Megacities and focusses on high quality food products with generally attractive gross profit on sales-margins, also contributed to the improvement of our gross profit on sales-margin in the financial year 2015/2016. In addition, the above mentioned impacts from collaborating with the trading and service co-operations Markant and PHD also positively impacted our gross profit on sales-margin in 2015/2016.

8.5.3. Other Operating Income

In the financial year 2015/2016, our other operating income increased by EUR 197 million, or 15.6%, to EUR 1,462 million from EUR 1,264 million in the financial year 2014/2015.

This increase was mainly due to income from deconsolidation which amounted to EUR 452 million in the financial year 2015/2016, and was EUR 415 million higher as compared to EUR 37 million in the prior financial year. In 2015/2016, the income from deconsolidation included income from the disposal of our wholesale activities in Vietnam in an amount of EUR 451 million, whereas the income from deconsolidation in 2014/2015 primarily related to the sale of our wholesale activities in Greece.

As certain opposing effects, gains from the disposal of fixed assets and gains from the reversal of impairment losses decreased by EUR 135 million, or 57.3%, from EUR 235 million in the financial year 2014/2015 to EUR 100 million in the financial year 2015/2016. This decrease was mainly due to lower income from the disposal of real estate that will be used fully or for the most part by third parties in the future (2014/2015: EUR 200 million; 2015/2016: EUR 53 million).

In addition, rental income including reimbursements of incidental rental expenses decreased by EUR 44 million, or 11.4%, from EUR 386 million in 2014/2015 to EUR 343 million in 2015/2016. Furthermore, income from services/cost refunds (which concerns services rendered to third parties including related parties), as well as from services rendered to suppliers both decreased in 2015/2016 as compared to the prior financial year. The latter resulted, in particular, from the disposals of our wholesale activities in Greece which still contributed to other operational income for three months in 2014/2015 before its divestment in January 2015 and, most notably, in Vietnam which was divested in December 2015 and therefore contributed to other operational income for three months only in 2015/2016 as compared to the full twelve months in the previous financial year.

8.5.4. Selling Expenses

In the financial year 2015/2016, our selling expenses decreased by EUR 179 million, or 2.8%, to EUR 6,171 million from EUR 6,350 million in the financial year 2014/2015. This decrease was due to both reduced non-personnel expenses and declining personnel expenses.

Non-personnel expenses reported in selling expenses decreased by EUR 104 million, or 3.4%, to EUR 2,940 million in 2015/2016 from EUR 3,044 million in 2014/2015. This decrease was mainly due to warehouse closures which resulted in lower depreciation / amortization / impairment losses, energy costs, rental expenses and maintenance costs. The decline in depreciation / amortization / impairment losses was also impacted by impairment losses in the previous year which primarily related to warehouse closures.

Personnel expenses reported in selling expenses decreased by EUR 75 million, or 2.3%, from EUR 3,305 million in 2014/2015 to EUR 3,231 million in 2015/2016 and essentially resulted from hypermarket closures at Real.

8.5.5. General Administrative Expenses

In the financial year 2015/2016, our general administrative expenses increased by EUR 66 million, or 6.6%, to EUR 1,058 million from EUR 992 million in the financial year 2014/2015.

This increase was mainly a result of higher personnel costs reported in general administrative expenses which increased by EUR 74 million, or 14.2%, from EUR 518 million in the financial year 2014/2015 to EUR 592 million in the financial year 2015/2016. The main reasons for this increase were higher restructuring expenses we incurred in connection with our various restructuring and efficiency-enhancing measures, including the restructuring of our headquarters, as well as higher wages and salaries, whereas lower variable remuneration resulted in an opposing effect.

As a slight counter effect, non-personnel expenses reported in general administrative expenses decreased by EUR 8 million, or 1.7%, to EUR 466 million in 2015/2016 from EUR 474 million in 2014/2015, mainly due to lower expenses from operating leases, levies and fees. These lower expenses were only partially offset by higher expenses for consulting services which, in particular, related to the preparation and implementation of the Demerger and Listing.

8.5.6. Other Operating Expenses

In the financial year 2015/2016, our other operating expenses decreased by EUR 32 million, or 23.4%, to EUR 105 million from EUR 137 million in the financial year 2014/2015.

This decrease was to a large extent related to impairment losses on goodwill which amounted to EUR 12 million in 2014/2015 and related to our wholesales activities in Pakistan (EUR 10 million) and Japan (EUR 2 million). In contrast, no impairment losses on goodwill were recorded in 2015/2016.

In addition, a decrease in miscellaneous other operating expenses, such as freight costs which decreased from EUR 58 million in 2014/2015 to EUR 49 million in 2015/2016 also contributed to the positive development of our other operating expenses in the last financial year. This decrease in freight costs was mainly a result of our continued efforts to improve efficiencies across our operations.

8.5.7. Earnings Share of Operating Companies Recognized at Equity

As from the financial year 2015/2016, earnings of operating companies recognized at equity are recognized in the combined income statement in the separate line item "earnings share of operating companies recognized at equity". After we acquired minority shares in a number of real estate companies mostly owning warehouse properties which we operate ourselves, the earnings of operating companies recognized at equity increased vis-à-vis previous years. They amounted to EUR 102 million in 2015/2016 and included as a main effect the investment result of EZW Kauf- und Freizeitpark GmbH & Co. Kommanditgesellschaft, which is materially impacted by the sale of the shares during the financial year. In 2014/2015, no such transaction took place.

8.5.8. Earnings before Interests and Taxes EBIT

In the financial year 2015/2016, our earnings before interest and taxes (EBIT) increased by EUR 358 million, or 41.6%, to EUR 1,219 million from EUR 860 million in the financial year 2014/2015. Expressed as a percentage of sales, our EBIT increased from 2.3% in 2014/2015 to 3.3% in 2015/2016.

In absolute terms, this strong EBIT increase was to the largest part attributable to our METRO Wholesale segment where segment EBIT increased by EUR 258 million, or 25.5%, to EUR 1,271 million in 2015/2016 from EUR 1,013 million in 2014/2015. This increase was particularly driven by the aforementioned disposal of our wholesale activities in Vietnam in December 2015 with an EBIT contribution resulting from the deconsolidation of EUR 446 million in 2015/2016. Due to its non-recurring nature, this disposal was classified as a special item on EBIT-level whose positive effects, however, were partly offset by other special items concerning expenses from restructuring and efficiency-enhancing measures. In both financial years, these (negative) special items on EBIT-level concerned mainly planned warehouse closures, among others at METRO Cash & Carry Germany and, in 2015/2016, other restructuring measures related to the implementation of our value creation plans in Belgium and the Netherlands. In the aggregate, our METRO Wholesale segment recorded positive special items on EBIT-level in 2015/2016 of EUR 222 million, whereas in the prior financial year expenses of EUR 48 million were classified as special items on EBIT-level.

When eliminating the effects of those special items on EBIT-level, EBIT Before Special Items attributable to our METRO Wholesale segment decreased by EUR 12 million, or 1.2%, to EUR 1,048 million in the financial year 2015/2016 from EUR 1,061 million in the financial year 2014/2015, mainly as result of the negative foreign exchange rate effects from the depreciation of local currencies including, *inter alia*, the Russian Ruble, the Turkish Lira and the Ukranian Hryvnia. On a constant foreign exchange rate-basis, our METRO Wholesale segment achieved an EBIT Before Special Items improvement compared with the previous financial year, mainly due to the efficiency gains and first positive impacts from our portfolio optimizations.

EBIT attributable to our Real segment increased by EUR 98 million to EUR 108 million in 2015/2016 from EUR 10 million in 2014/2015 as the segment EBIT in the financial year 2014/2015 was particularly affected by expenses of EUR 83 million classified as special items on EBIT-level that were largely related to select hypermarket closures in the context of the above mentioned strategic repositioning of Real in the German food retail market. In contrast, in 2015/2016, special items on EBIT-level attributable to the Real segment were positive and amounted to EUR 3 million. When eliminating those effects from special items on EBIT-level, EBIT Before Special Items of the Real segment also increased, but less pronounced, from EUR 93 million in 2014/2015 by EUR 12 million, or 13.1%, to EUR 105 million, among others from effects of the abovementioned tariff agreement (*Zukunftstarifvertrag*) and collaborating with the trading and service co-operations Markant and PHD with respect to, for example, joint purchasing and settlement.

EBIT of our Others segment remained virtually stable with EUR (156) million in the financial year 2015/2016 as compared to EUR (155) million in the prior financial year. However, in 2015/2016, EBIT of our Others segment was impacted by higher expenses which were classified as special items on EBIT-level and which amounted to EUR 112 million in 2015/2016 as compared to EUR 89 million in 2014/2015. In the financial year 2015/2016, such special items on EBIT-level related to one-time expenses in connection with the Demerger, as well as restructuring measures at our headquarters and in the logistics area. In 2014/2015, special items on EBIT-level particularly related to one-time expenses in connection with the realignment of logistics structures in Germany. When eliminating those effects from special items on EBIT-level, the Others segment's EBIT Before Special Items improved by EUR 23 million from EUR (66) million in 2014/2015 to EUR (43) million in 2015/2016, in particular, due to positive impacts from our historic restructuring and efficiency-enhancing measures. Furthermore, in 2015/2016, EBIT of our Others segment included higher income from the disposal of real estate and earnings share of operating companies recognized at equity.

8.5.9. Net Financial Result

In the financial year 2015/2016, our net financial result improved by EUR 69 million, or 17.6%, to EUR (325) million from EUR (394) million in the financial year 2014/2015.

The following table shows a breakdown of our net financial result for the financial years 2015/2016 and 2014/2015:

(in EUR million, unless otherwise indicated)	For the financial year 2015/2016	2014/2015	Change (in %)
	(audited)		(unaudited)
Net financial result	**(325)**	**(394)**	**17.6%**
Earnings share of non-operating companies recognized at equity	3	2	64.7%
Other investment result	(3)	1	(684.5)%
Interest income	65	55	19.1%
Interest expenses	(276)	(309)	10.5%
Other financial result	(114)	(143)	20.3%

The main reason for this improvement were lower interest expenses which decreased by EUR 33 million, or 10.5%, to EUR 276 million in 2015/2016 from EUR 309 million in 2014/2015. Such decrease in interest expenses resulted both from favorable refinancing opportunities in the financial markets and the continued overall reduction of our Net Indebtedness.

In addition, our other financial result improved by EUR 29 million, or 20.3%, to EUR (114) million in the financial year 2015/2016 from EUR (143) million in the financial year 2014/2015. This

development was particularly due to an improvement of our overall result from currency effects and measurement results from hedging transactions and hedging relationships which amounted to EUR (48) million in 2015/2016 as compared to EUR (71) million 2014/2015 and, in both financial years, primarily related to foreign currency financings in Eastern Europe. In addition, we were able to successfully reduce our hedging costs, mainly relating to hedging transactions concerning the Russian Ruble, in 2015/2016 as compared to 2014/2015. As a counter effect in 2015/2016, the other financial result reflected EUR (24) million in negative currency effects resulting from the translation of the financial statements of foreign subsidiaries that are recognized through profit or loss in the year the subsidiary is deconsolidated or in the year business activities are discontinued with no such effect in the previous financial year. The effects in 2015/2016 largely resulted from the disposal of our wholesale activities in Vietnam.

Furthermore, our interest income increased by EUR 11 million, or 19.1%, to EUR 65 million in the financial year 2015/2016 from EUR 55 million in the financial year 2014/2015. This increase was essentially due to interest income from tax refunds relating to earlier periods.

8.5.10. Income Taxes

In the financial year 2015/2016, our income tax expenses increased by EUR 175 million, or 87.0%, to EUR 375 million from EUR 201 million in the financial year 2014/2015. This increase in income tax expenses was partly due to income tax expenses in connection with the disposal of our wholesale activities in Vietnam which amounted to EUR 79 million in 2015/2016. Furthermore, the significant rise of our combined earnings before taxes EBT which increased by EUR 428 million to EUR 894 million in 2015/2016 from EUR 466 million in 2014/2015 also contributed to higher income tax expenses. This increase in earnings before taxes EBT resulted from our improved EBIT as well as our improved net financial result, both as set out above.

Our Tax Rate decreased to 42.0% in the financial year 2015/2016 from 43.1% in 2014/2015. The Tax Rate Before Special Items amounted to 38.7% in 2015/2016 and 33.0% in 2014/2015. In 2015/2016, our Tax Rate was mainly affected by the positive effect resulting from a final tax audit in France. See also *10.20.4. "Business — Legal and Administrative Proceedings — Proceedings in Connection with Tax Audits or other Decisions by Tax Authorities".*

8.5.11. Combined Profit or Loss for the Period after Taxes

In the financial year 2015/2016, our combined profit for the period after taxes increased by EUR 253 million, or 95.3%, to EUR 519 million from EUR 265 million in the financial year 2014/2015. This increase was due to our significantly increased EBIT and, to a lesser degree, the improved financial result, both of which more than compensated for the increased income tax expenses, in each case as further explained above.

8.6. Comparison of Results of Operations for the Financial Year 2014/2015 and the Financial Year 2013/2014

The following table shows information from our combined income statement for the financial years 2014/2015 and 2013/2014:

(in EUR million, unless otherwise indicated)	**For the financial year**		
	2014/2015	**2013/2014**	**Change (in %)**
	(audited)		**(unaudited)**
Sales	**37,496**	**38,970**	**(3.8)%**
thereof METRO Wholesale	29,692	30,516	(2.7)%
thereof Real	7,736	8,390	(7.8)%
thereof Others	67	64	3.8%
Cost of sales	(30,421)	(31,668)	3.9%
Gross profit on sales	**7,075**	**7,302**	**(3.1)%**
Other operating income	1,264	1,357	(6.8)%
Selling expenses	(6,350)	(6,680)	4.9%
General administrative expenses	(992)	(861)	(15.2)%
Other operating expenses	(137)	(119)	(15.1)%

(in EUR million, unless otherwise indicated)	For the financial year 2014/2015	2013/2014	Change (in %)
Earnings share of operating companies recognized at equity	0	0	—
Earnings before interest and taxes EBIT	**860**	**999**	**(13.9)%**
thereof METRO Wholesale	1,013	999	1.4%
thereof Real	10	28	(65.3)%
thereof Others	(155)	(32)	(387.9)%
Earnings share of non-operating companies recognized at equity	2	9	(81.4)%
Other investment result	1	78	(99.3)%
Interest income	55	42	32.0%
Interest expenses	(309)	(404)	23.6%
Other financial result	(143)	(255)	43.8%
Net financial result	**(394)**	**(530)**	**25.6%**
Combined earnings before taxes EBT	**466**	**469**	**(0.7)%**
Income taxes	(201)	(413)	51.5%
Combined profit or loss for the period after taxes	**265**	**56**	**375.8%**
Profit or loss for the period attributable to non-controlling interests	11	16	(32.5)%
Profit or loss for the period attributable to METRO Group	254	40	547.0%

8.6.1. Sales

In the financial year 2014/2015, our sales decreased by EUR 1,474 million, or 3.8%, to EUR 37,496 million from EUR 38,970 million in the financial year 2013/2014.

The main reason for this decrease was a decline of sales attributable to our METRO Wholesale segment where external sales (net) decreased by EUR 823 million, or 2.7%, to EUR 29,692 million in 2014/2015 from EUR 30,516 million in 2013/2014. This decrease of our METRO Wholesale segment's external sales (net) was to a significant extent due to negative effects from foreign exchange rate fluctuations, in particular, related to the Russian Ruble, as well as to select disposals including our wholesale activities in Greece and the discontinuation of our wholesale activities in Egypt (in February 2014) and in Denmark (in December 2014).

These negative effects were partly compensated by an increase of the Delivery Sales. Delivery Sales increased from approximately EUR 2,900 million in 2013/2014 to approximately EUR 3,100 million in 2014/2015. The major part of the increase resulted from continued growth of our out-of-store delivery services, particularly in China and markets with a strong HoReCa focus such as Germany, France and Italy, whereas only a small part was attributable to the acquisition of the Classic Fine Foods group which contributed to our sales in 2014/2015 only for one full month due to its first-time combination on September 1, 2015.

External sales (net) attributable to the Real segment decreased by EUR 654 million, or 7.8%, to EUR 7,736 million in 2014/2015 from EUR 8,390 million in 2013/2014. This decrease was mainly due to the disposal of the segment's Polish and Turkish businesses which had still partly contributed to sales in 2013/2014. In addition, the ongoing optimization of Real's hypermarket network in Germany led to 14 hypermarket closures in 2014/2015 and also negatively impacted sales. On a like-for-like basis, sales of Real in Germany fell by 0.8% in 2014/2015 as compared to the previous financial year, in particular, due to persistently intense competition in the food retail market and changing consumer preferences as set out above. However, sales volume and customer traffic were positively impacted by our hypermarket modernization program based on the modernization at 50 locations during the course of 2013/2014 as part of our Big Bang program.

The following table shows our external sales (net) per region for the financial years 2014/2015 and 2013/2014:

(in EUR million, unless otherwise indicated)	For the financial year 2014/2015	2013/2014	Change (in %)
	(audited)		(unaudited)
External sales (net)	**37,496**	**38,970**	**(3.8)%**
thereof Germany	12,478	12,766	(2.3)%
thereof Western Europe (excluding Germany)	10,247	10,547	(2.8)%
thereof Eastern Europe	10,441	11,924	(12.4)%
thereof Asia	4,330	3,733	16.0%

On a regional basis, external sales (net) attributable to Eastern Europe decreased by EUR 1,483 million, or 12.4%, to EUR 10,441 million in 2014/2015 from EUR 11,924 million in

2013/2014 and were in particular, negatively affected from currency effects due to the significant depreciation of local currencies, such as the Russian Ruble, against the Euro, as well as the disposal of our wholesale activities in Greece and of the aforementioned Real activities in Poland and Turkey.

External sales (net) attributable to Germany decreased by EUR 288 million, or 2.3%, to EUR 12,478 million in 2014/2015 from EUR 12,766 million in 2013/2014, mainly due to the aforementioned decline in sales of Real segment resulting from hypermarket closures.

External sales (net) attributable to Western Europe (excluding Germany) decreased by EUR 300 million, or 2.8%, from EUR 10,547 million in 2013/2014 to EUR 10,247 million in 2014/2015, mainly due to difficult markets in Belgium and the Netherlands and our withdrawal from the Danish wholesale market at the end of 2014. In contrast, particularly Italy showed significant improvements as compared with the previous financial year, but could not compensate for the negative development in Belgium and the Netherlands. On a like-for-like basis, sales attributable to Western Europe (excluding Germany) deteriorated by 0.7% in 2014/2015 as compared to the prior financial year due to the abovementioned factors.

In contrast, external sales (net) attributable to the Asia region increased substantially by EUR 597 million, or 16.0%, to EUR 4,330 million in 2014/2015 from EUR 3,733 million in 2013/2014. This increase resulted, among others, from the continued expansion of our warehouse network with a particular focus on China resulting in a sales growth in local currency. In addition, positive currency effects which primarily related to China, India and Pakistan also positively impacted our sales in Asia. On a like-for-like basis, sales in Asia slightly declined in 2014/2015 as compared to the previous financial year.

8.6.2. Gross Profit on Sales

In the financial year 2014/2015, our gross profit on sales decreased by EUR 227 million, or 3.1%, to EUR 7,075 million from EUR 7,302 million in the financial year 2013/2014.

This decrease in gross profit on sales was largely in line with the decrease of our reported sales. Our cost of sales even decreased more pronounced by EUR 1,247 million, or 3.9%, from EUR 31,668 million in the financial year 2013/2014 to EUR 30,421 million in the financial year 2014/2015.

Expressed as a percentage of sales, our gross profit on sales increased from 18.7% in the financial year 2013/2014 to 18.9% in the financial year 2014/2015. This improvement was largely generated in the wholesale business partly due to a change in our customer mix, in particular, the increased sales share which we generated with HoReCa customers as set out above which positively impacted our gross profit on sales-margin and the reduction of promotional activities as compared to the previous financial year. In addition, the Real business also improved its gross profit on sales-margin driven by closures of hypermarkets with low profitability and the disposal of the Real business in Poland and Turkey as well as initial beneficial effects from the collaboration with the trading and service co-operation Markant.

8.6.3. Other Operating Income

In the financial year 2014/2015, our other operating income decreased by EUR 92 million, or 6.8%, to EUR 1,264 million from EUR 1,357 million in the financial year 2013/2014.

This decrease was mainly due to lower services/cost refunds and services rendered to suppliers which were only partially compensated by increased gains from the disposal of fixed assets and gains from the reversal of impairment losses. Services/cost refunds decreased by EUR 72 million, or 24.9%, to EUR 216 million in the financial year 2014/2015 from EUR 288 million in the financial year 2013/2014 mainly due to reduced income from the sales of surplus electricity (which we generate through block-unit power stations at certain facilities) and lower cost refunds for advertising in 2014/2015 mainly due to the reduction of advertising services previously provided to Real Poland (which we divested in February 2014). The decrease of income from services rendered to suppliers by EUR 42 million, or 20.0%, to EUR 167 million in 2014/2015 from EUR 208 million in 2013/2014 essentially resulted from the sale of Real's business in Poland and the sale of the wholesale activities in Greece. The increase in gains from the disposal of fixed assets and gains from the reversal of impairment losses of

EUR 41 million, or 21.5%, to EUR 235 million in 2014/2015 from EUR 193 million in 2013/2014 resulted primarily from income from the disposal of real estate that will be used fully or for the most part by third parties in the future (2013/2014: EUR 65 million; 2014/2015: EUR 200 million). This included income of EUR 16 million in 2014/2015 and of EUR 111 million in 2013/2014 from the sale of real estate assets that we plan to continue to use under tenancy agreements. In the financial year 2013/2014, this effect concerned, in particular, the sale of individual office properties at our headquarters in Dusseldorf.

8.6.4. Selling Expenses

In the financial year 2014/2015, our selling expenses decreased by EUR 330 million, or 4.9%, to EUR 6,350 million from EUR 6,680 million in the financial year 2013/2014.

This decrease was primarily due to non-personnel expenses reported in selling expenses which significantly decreased by EUR 250 million, or 7.6%, to EUR 3,044 million in 2014/2015 from EUR 3,294 million in 2013/2014, mainly resulting from lower energy costs, advertising expenses and levies, contributions and fees.

In addition, personnel expenses reported in selling expenses decreased by EUR 80 million, or 2.4%, from EUR 3,386 million in 2013/2014 to EUR 3,305 million in 2014/2015. This decrease was essentially due to the sale of Real's Eastern European business.

8.6.5. General Administrative Expenses

In the financial year 2014/2015, our general administrative expenses increased by EUR 131 million, or 15.2%, to EUR 992 million from EUR 861 million in the financial year 2013/2014.

This increase was related largely to non-personnel expenses reported in general administrative expenses which increased by EUR 71 million, or 17.7%, to EUR 474 million in 2014/2015 from EUR 403 million in 2013/2014. This increase in non-personnel expenses largely stemmed from higher consulting expenses, rental expenses from operating leases as well as other taxes.

Furthermore, personnel expenses reported in general administrative expenses increased by EUR 60 million, or 13.1%, from EUR 458 million in 2013/2014 to EUR 518 million in 2014/2015. This increase in personnel expenses was essentially attributed to higher variable remuneration paid in connection with special bonus commitments.

8.6.6. Other Operating Expenses

In the financial year 2014/2015, our other operating expenses increased by EUR 18 million, or 15.1%, to EUR 137 million from EUR 119 million in the financial year 2013/2014.

This increase was primarily due to the aforementioned impairment losses on goodwill in 2014/2015 of EUR 10 million related to METRO Cash & Carry Pakistan and EUR 2 million related to METRO Cash & Carry Japan, whereas no such impairment losses on goodwill were recorded in the previous financial year.

8.6.7. Earnings Share of Operating Companies Recognized at Equity

In the financial years 2014/2015 and 2013/2014, there were no material earnings accounted for as earnings share of operating companies recognized at equity. For information on the accounting treatment and reclassification of the respective earnings, see *8.3.4. "— Presentation of Financial Information — Key Items of our Combined Income Statement"*.

8.6.8. Earnings before Interest and Taxes EBIT

In the financial year 2014/2015, our earnings before interest and taxes (EBIT) decreased by EUR 139 million, or 13.9%, to EUR 860 million from EUR 999 million in the financial year 2013/2014. Expressed as a percentage of sales, our EBIT decreased from 2.6% in 2013/2014 to 2.3% in 2014/2015.

This EBIT decrease, both in absolute and in relative terms, was related primarily to our Others segment where segment EBIT decreased by EUR 123 million from EUR (32) million in 2013/2014 to EUR (155) million in 2014/2015, in particular, due to one-time expenses in connection with the realignment of logistics structures in Germany. However, even when eliminating the effects of those and other special items on EBIT-level (which in 2013/2014 largely concerned risk provisions for legal disputes and rental guarantees), EBIT Before Special Items of our Others segment also significantly decreased by EUR 119 million to EUR (66) million in 2014/2015 from EUR 53 million in 2013/2014. In particular, higher project costs for transfer pricing review, logistics strategy, fees for legal advice and consulting for setting up of our first accelerator program as well as additional rental expenses and lower rental income negatively impacted our Others segment in 2014/2015. Further costs increases resulted from setting up of new functions such as business innovation and the ramp-up of the IT strategy department, as well advisor costs related to the preparation of the Classic Fine Food acquisition.

In addition, EBIT attributable to our Real segment decreased by EUR 18 million to EUR 10 million in 2014/2015 from EUR 28 million in 2013/2014. This decrease was related, in particular, to the continued restructuring measures recorded for as special items on EBIT-level which in both financial years largely related to hypermarket closures. When eliminating special items on EBIT-level, the Real segment's EBIT Before Special Items increased by EUR 3 million, or 3.6%, from EUR 90 million in 2013/2014 to EUR 93 million in 2014/2015. This increase was particularly due to negative earnings contributions from Real Poland which until the second quarter still affected 2013/2014.

As an opposing effect, EBIT attributable to our METRO Wholesale segment increased by EUR 14 million, or 1.4%, to EUR 1,013 million in 2014/2015 from EUR 999 million in 2013/2014. This increase, however, was mainly a result of reduced extraordinary expenses reported as special items on EBIT-level which in 2014/2015 primarily related to restructuring and efficiency-enhancing measures, among others at METRO Cash & Carry Germany. In the financial year 2013/2014, special items on EBIT-level essentially stemmed from portfolio measures and restructuring expenses as well as expenses for warehouse closures, primarily related to restructurings in Belgium and the Netherlands, our withdrawal from the Danish market in December 2014 as well as restructurings of METRO Cash & Carry Germany. When eliminating the effects from special items on EBIT-level, EBIT Before Special Items attributable to the METRO Wholesale segment decreased by EUR 71 million, or 6.3%, from EUR 1,131 million in 2013/2014 to EUR 1,061 million in 2014/2015, mainly as result of negative foreign exchange rate effects primarily from the depreciation of the Russian Ruble. On a constant foreign exchange rate-basis, our METRO Wholesale segment achieved an EBIT Before Special Items improvement compared with the previous financial year.

8.6.9. Net Financial Result

In the financial year 2014/2015, our net financial result increased by EUR 136 million, or 25.6%, to EUR (394) million from EUR (530) million in the financial year 2013/2014.

The following table shows a breakdown of our net financial result for the financial years 2014/2015 and 2013/2014:

(in EUR million, unless otherwise indicated)	For the financial year 2014/2015	2013/2014	Change (in %)
	(audited)		(unaudited)
Net financial result	**(394)**	**(530)**	**25.6%**
Earnings share of non-operating companies recognized at equity	2	9	(81.4)%
Other investment result	1	78	(99.3)%
Interest income	55	42	32.0%
Interest expenses	(309)	(404)	23.6%
Other financial result	(143)	(255)	43.8%

The main reason for this increase was an improvement of our other financial result which increased by EUR 112 million, or 43.8%, to EUR (143) million in 2014/2015 from EUR (255) million in 2013/2014. This increase was mainly due to negative currency effects resulting from the translation of the financial statements of foreign subsidiaries that are recognized through profit or loss in the year the subsidiary is deconsolidated or in the year

business activities are discontinued which amounted to EUR 144 million in 2013/2014 and largely concerned negative one-time effects from the sale of Real Turkey and Real Poland, whereas no corresponding effects were recorded in 2014/2015.

In addition, our interest expenses decreased by EUR 95 million, or 23.6%, to EUR 309 million in 2014/2015 from EUR 404 million in 2013/2014. This decrease resulted both from favorable refinancing opportunities in the financial markets and the overall reduction of our Net Indebtedness.

As a counter effect, our other investment result decreased to EUR 1 million in 2014/2015 from EUR 78 million in the prior financial year. This decrease in our other investment result was largely due to the sale of our 9% stake in Booker Group PLC in an amount of EUR 62 million in the financial year 2013/2014.

8.6.10. Income Taxes

In the financial year 2014/2015, our income tax expenses decreased by EUR 213 million, or 51.5%, to EUR 201 million from EUR 413 million in the financial year 2013/2014. This development was largely due to the reduction of effects of deferred taxes not recognized or impaired from EUR 224 million in 2013/2014 mainly due to a significant valuation allowance regarding temporary differences based on the estimated future offsetting with taxable income to EUR 51 million in 2014/2015. In addition, we implemented a new group-wide transfer pricing model in 2014/2015 and were thus able to capitalize additional deferred taxes.

Our Tax Rate decreased to 43.1% in the financial year 2014/2015 from 88.1% in 2013/2014. Our Tax Rate Before Special Items amounted to 33.1% in 2014/2015 and 52.0% in 2013/2014. The abovementioned implementation of a new group-wide transfer pricing model in 2014/2015 also beneficially affected our Tax Rate and Tax Rate Before Special Items.

8.6.11. Combined Profit or Loss for the Period after Taxes

In the financial year 2014/2015, our combined profit for the period after taxes increased by EUR 209 million to EUR 265 million from EUR 56 million in the financial year 2013/2014. This increase was primarily due to the significantly decreased expenses for income taxes as explained above.

8.7. Review of Selected Items of our Combined Balance Sheet

8.7.1. Overview

In the periods under review, our combined balance sheet was characterized by high levels of tangible assets on the assets side (in particular, property, plant and equipment as well as inventories) and trade liabilities and borrowings on the liabilities side. Property, plant and equipment mainly comprise land and buildings as well as technical equipment. Trade working capital levels are largely driven by high levels of both inventories and trade liabilities. These show considerable swings throughout the financial year in line with seasonal trading patterns as explained above.

8.7.2. Combined Balance Sheet

The following table shows our combined balance sheet as of March 31, 2017 and as of September 30, 2016, 2015 and 2014:

(in EUR million)	As of March 31, 2017	As of September 30, 2016	2015	2014
	(unaudited)	(audited)		
Non-current assets	**9,545**	**9,434**	**9,284**	**9,396**
Goodwill	881	852	804	651
Other intangible assets	475	420	371	254
Property, plant and equipment	7,025	6,979	6,833	7,250
Investment properties	153	163	218	249
Financial investments	81	89	43	103
Investments accounted for using the equity method	182	183	184	95
Other financial and non-financial assets	223	239	248	257
Deferred tax assets	524	509	583	537
Current assets	**6,508**	**6,558**	**9,441**	**7,707**

(in EUR million)	As of March 31, 2017	As of September 30, 2016	2015	2014
	(unaudited)	(audited)		
Inventories	3,309	3,063	3,117	3,224
Trade receivables	522	493	434	402
Financial assets	1	0	5	26
Other financial and non-financial assets	1,314	1,280	2,115	1,941
Entitlements to income tax refunds	124	123	84	135
Cash and cash equivalents	1,236	1,599	3,436	1,512
Assets held for sale	2	0	250	467
Assets	**16,053**	**15,992**	**18,725**	**17,103**
Equity	**3,254**	**2,924**	**2.651**	**826**
Net assets attributable to METRO Group	3,885	3,748	3.458	1,473
Other items of equity	(673)	(860)	(841)	(678)
Non-controlling interests	42	36	34	31
Non-current liabilities	**4,764**	**4,954**	**5,834**	**5,209**
Provisions for post-employment benefit plans and similar obligations	610	646	547	592
Other provisions	285	297	358	291
Borrowings	3,671	3,796	4,714	4,163
Other financial and non-financial liabilities	119	127	143	110
Deferred tax liabilities	79	88	72	53
Current liabilities	**8,035**	**8,114**	**10,240**	**11,068**
Trade liabilities	4,601	4,892	5,011	5,218
Provisions	520	559	499	466
Borrowings	1,497	944	2,961	3,425
Other financial and non-financial liabilities	1,098	1,591	1,459	1,490
Income tax liabilities	319	128	116	264
Liabilities related to assets held for sale	—	0	194	205
Equity and Liability	**16,053**	**15,992**	**18,725**	**17,103**

8.7.3. Comparison of Selected Items of our Combined Balance Sheet as of March 31, 2017 and September 30, 2016

As of March 31, 2017, our assets increased by EUR 61 million to EUR 16,053 million, from EUR 15,992 million as of September 30, 2016.

This increase was due to an increase of our non-current assets by EUR 111 million to EUR 9,545 million as of March 31, 2017, from EUR 9,434 million as of September 30, 2016. This increase mainly resulted from an increase in other intangible asset by EUR 55 million to EUR 475 million as of March 31, 2017, from EUR 420 million as of September 30, 2016 and property, plant and equipment which increased by EUR 46 million to EUR 7,025 million as of March 31, 2017, from EUR 6,979 million as of September 30, 2016, both mainly related to the acquisition of the Pro à Pro group in February 2017. In addition, the goodwill increased by EUR 29 million to EUR 881 million as of March 31, 2017, from EUR 852 million as of September 30, 2016 likewise related to the aforementioned acquisition.

In contrast, our current assets decreased by EUR 50 million to EUR 6,508 million as March 31, 2017 from EUR 6,558 million as of September 30, 2016, which primarily resulted from a decrease in cash and cash equivalents by EUR 363 million to EUR 1,236 million as March 31, 2017 from EUR 1,599 million as of September 30, 2016, among others, due to the timely repayment of the outstanding amount of EUR 622 million with respect to a bond issued by METRO Finance B.V. with a coupon of 4.25% and other factor detailed in *8.2.7 "— Key Factors Affecting Results of Operations, Financial Position and Cash Flows — Cash Generation and Reduction of Net Indebtedness".* Balancing effects resulted from the issuance of notes with a nominal value of EUR 1,101 million under our German Commercial Paper Program. The major counter effect resulted from an increase in inventories by EUR 246 million from EUR 3,063 million as of September 30, 2016 to EUR 3,309 million as of March 31, 2017 due to the imminent Easter business. Part of this increase was related to the acquisition of the Pro à Pro group while other factors included increased stock level ahead of the Easter holidays in April 2017. Further balancing effects stemmed from the increase of other financial and non-financial assets by EUR 34 million to EUR 1,314 million as of March 31, 2017, from EUR 1,280 million as of September 30, 2016 and the increase in trade receivables by EUR 29 million from EUR 493 million as of September 30, 2016 to EUR 522 million as of March 31, 2017, in line with the typical seasonal pattern and the growing FSD business.

Equity and liabilities increased by EUR 61 million to EUR 16,053 million as of March 31, 2017, from EUR 15,992 million as of September 30, 2016.

This increase was due to an increase of our combined equity by EUR 331 million to EUR 3,254 million as compared to EUR 2,924 million as of September 30, 2016 which is due to the net impact of the changes explained above and below.

Our non-current liabilities decreased by EUR 191 million to EUR 4,764 million as of March 31, 2017, from EUR 4,954 million as of September 30, 2016. This decrease primarily resulted from a reduction of non-current borrowings by EUR 125 million to EUR 3,671 million as of March 31, 2017, from EUR 3,796 million as of September 30, 2016. In addition, provisions for post-employment benefit plans and similar obligations also decreased by EUR 36 million to EUR 610 million as of March 31, 2017, from EUR 646 million as of September 30, 2016 mainly caused by a change of actuarial parameters, particularly the raise of the actuarial interest rate in the Eurozone. Decreases in other provisions, other non-current financial and non-financial liabilities as well as deferred tax liabilities also contributed to the overall decline of our non-current liabilities during the course of the first half of 2016/2017.

Moreover, our current liabilities also declined by EUR 79 million to EUR 8,035 million as of March 31, 2017, from EUR 8,114 million as of September 30, 2016. This decline primarily resulted from a decrease of our current other financial and non-financial liabilities by EUR 493 million to EUR 1,098 million as of March 31, 2017, from EUR 1,591 million as of September 30, 2016, mainly as a result of lower payables from the acquisition of fixed assets, among other factors, the liability of EUR 221 million towards CE Group which still existed as of September 30, 2016, but was settled in February 2017, and lower liabilities for wages and salaries. In addition, a decrease of our trade liabilities by EUR 291 million to EUR 4,601 million as of March 31, 2017 from EUR 4,892 million as of September 30, 2016 typical for the seasonal patterns in our industry also contributed to the overall reduction in current liabilities during the six-month period 2016/2017. In contrast, current borrowings increased by EUR 553 million to EUR 1,497 million as of March 31, 2017, from EUR 944 million as of September 30, 2016 mainly as a result of the issuance of notes under our German Commercial Paper Program. In addition, income tax liabilities increased by EUR 191 million to EUR 319 million as of March 31, 2017, from EUR 127 million as of September 30, 2016, as a result of prepayment of taxes for the first half of 2016/2017 being lower than the effective tax expenses calculated for the first half of 2016/2017 due to the overall seasonality of our business. The difference results in an additional tax liability.

8.7.4. Comparison of Selected Items of our Combined Balance Sheet as of September 30, 2016 and September 30, 2015

As of September 30, 2016, our assets decreased by EUR 2,733 million, or 14.6%, to EUR 15,992 million, from EUR 18,725 million as of September 30, 2015.

This decrease was particularly due to a decrease of current assets by EUR 2,883 million from EUR 9,441 million as of September 30, 2015, to EUR 6,558 million as September 30, 2016 which primarily resulted from a decrease in cash and cash equivalents of EUR 1,837 million to EUR 1,599 million as of September 30, 2016, from EUR 3,436 million as of September 30, 2015. The significant decrease in cash and cash equivalents was essentially due to the consideration received from the disposal of the GALERIA Kaufhof group in 2014/2015 which was partially used to reduce borrowings in 2015/2016. In addition, current other financial and non-financial assets decreased by EUR 835 million to EUR 1,280 million as of September 30, 2016, from EUR 2,115 million as of September 30, 2015, mainly due to reduced financial investments related to highly liquid exchange-listed money market funds resulting, in the most part, from reporting date effects. Furthermore, assets held for sale decreased to EUR 0 million as of September 30, 2016, from EUR 250 million as of September 30, 2015, due to the disposal of our wholesale activities in Vietnam in 2015/2016. A further effect related to inventories which slightly decreased by EUR 54 million to EUR 3,063 million as of September 30, 2016, from EUR 3,117 million as of September 30, 2015. This decrease was due to various opposing effects. Among others, in 2015/2016, a cash value creation project in our METRO Wholesale segment in Germany resulted in lower inventories. Also, assortment improvements in the Netherlands and efficient procurement processes in a number of countries reduced inventories. In addition, inventories in the Real segment decreased in 2015/2016 mostly due to hypermarket closures

and major sales campaigns. Opposing effects resulting in higher inventories stemmed, among others, from higher demand and several new warehouse openings in Russia, as well as the first-time combination of the Rungis express group.

In contrast, our non-current assets slightly increased by EUR 150 million from EUR 9,284 million as of September 30, 2015, to EUR 9,434 million as of September 30, 2016. This increase mainly resulted from an increase in property, plant and equipment by EUR 146 million to EUR 6,979 million as of September 30, 2016, from EUR 6,833 million as of September 30, 2015, which was essentially caused by new additions to property, plant and equipment in the Real segment. The changes in property, plant and equipment relate, in particular, to land and buildings with an increase of EUR 102 million pertaining to the extension of finance lease contracts concerning Real hypermarkets.

Equity and liabilities decreased by EUR 2,733 million, or 14.6%, to EUR 15,992 million as of September 30, 2016, from EUR 18,725 million as of September 30, 2015.

This decrease was mainly due to a decrease of our current liabilities which declined by EUR 2,126 million to EUR 8,114 million as of September 30, 2016, as compared to EUR 10,240 million as of September 30, 2015. Nearly all of this decrease related to significantly decreased current borrowings which amounted to EUR 944 million as of September 30, 2015, down by EUR 2,017 million from EUR 2,961 million as of September 30, 2015, due to our continued effort to reduce our overall Net Indebtedness. In particular, part of the consideration received from the disposal of the GALERIA Kaufhof group was used to reduce our borrowings. In addition, current trade liabilities decreased by EUR 119 million to EUR 4,892 million as of September 30, 2016, from EUR 5,011 million as of September 30, 2015, mainly due to hypermarket closures and the appointment of a new regulatory service provider in our Real segment, which was partially offset by new warehouse openings and higher product purchasing in our METRO Wholesale segment. Furthermore, liabilities related to assets held for sale decreased to EUR 0 million as of September 30, 2016, from EUR 194 million as of September 30, 2015, due to the disposal of our wholesale activities in Vietnam in 2015/2016. In contrast, current other financial and non-financial liabilities increased by EUR 132 million to EUR 1,591 million as of September 30, 2016, from EUR 1,459 million as of September 30, 2015. This increase largely resulted from liability in connection with the initial cash resources of the CE Group.

Our non-current liabilities also decreased by EUR 880 million to EUR 4,954 million as of September 30, 2016, from EUR 5,834 million as of September 30, 2015. This decrease primarily resulted from a reduction of non-current borrowings which decreased by EUR 918 million to EUR 3,796 million as of September 30, 2016, from EUR 4,714 million as of September 30, 2015, in line with our continued effort to reduce our overall Net Indebtedness as set out above. The main opposing effect resulted from increased provisions for post-employment benefit plans and similar obligations which amounted to EUR 646 million as of September 30, 2016, and were EUR 99 million higher compared to EUR 547 million as of September 30, 2015, mainly due to lower interest rates.

As of September 30, 2016, combined equity amounted to EUR 2,924 million, an increase of EUR 273 million as compared to EUR 2,651 million as of September 30, 2015. Key contributions to the increase in combined equity came from transactions in the context of the sale of the GALERIA Kaufhof group as of September 30, 2015. The GALERIA Kaufhof group was not part of the economic activities of the Group and was therefore not included in the combination group. In the Combined Financial Statements, the cash inflow from the sale is shown as a contribution and reflected accordingly in combined net assets (equity). Transactions in connection with the GALERIA Kaufhof group resulted in contributions of EUR 199 million during the course of the financial year 2015/2016 and essentially resulted from cash inflows from the profit distribution of the GALERIA Kaufhof group for the financial year 2014/2015 as well as the sale of remaining minority stakes in various property companies of the GALERIA Kaufhof group. In addition, dividends paid by METRO AG also had an effect on changes in combined equity, leading to withdrawals of EUR 327 million as of September 30, 2016, compared to EUR 295 million as of September 30, 2015, as the dividend payout was made from cash and cash equivalents allocated to our Group. Consequently, in our Combined Financial Statements, as of September 30, 2016, the corresponding cash reduction and the liability resulting from the payment obligation are shown as withdrawals. In addition, the assets

and liabilities of METRO AG were adjusted to correspond to the values in the Demerger Agreement as of September 30, 2016, in those cases in which the stipulations of the Demerger Agreement led to an allocation of assets between the MWFS Group and the CE Group that slightly deviated from the allocation of assets and liabilities according to the allocation keys and assumptions. This resulted in minor corrections which are shown as contributions or withdrawals. Furthermore, changes in equity were impacted by transactions in connection with the Demerger and the related split of assets and liabilities according to economic activities. In particular, in 2015/2016, contributions and withdrawals related to METRO Unterstützungskasse e. V. which resulted in a change in equity (contribution) of EUR 177 million.

8.7.5. Comparison of Selected Items of our Combined Balance Sheet as of September 30, 2015 and September 30, 2014

As of September 30, 2015, our assets increased by EUR 1,621 million, or 9.5%, to EUR 18,725 million, from EUR 17,103 million as of September 30, 2015. This increase was particularly due to an increase of our current assets by EUR 1,734 million from EUR 7,707 million as of September 30, 2014, to EUR 9,441 million as September 30, 2015, which primarily resulted from an increase in cash and cash equivalents of EUR 1,924 million to EUR 3,436 million as of September 30, 2015, from EUR 1,512 million as of September 30, 2014. This increase in cash and cash equivalents was essentially due to the consideration received from the disposal of the GALERIA Kaufhof group in 2014/2015. In addition, current other financial and non-financial assets increased by EUR 174 million to EUR 2,115 million as of September 30, 2015, from EUR 1,941 million as of September 30, 2014, mainly due to higher financial investments related to highly liquid exchange-listed money market funds resulting, in the most part, from reporting date effects.

In contrast, our non-current assets slightly decreased by EUR 112 million from EUR 9,396 million as of September 30, 2014, to EUR 9,284 million as of September 30, 2015. This decrease mainly resulted from a decrease in property, plant and equipment by EUR 417 million to EUR 6,833 million as of September 30, 2015, from EUR 7,250 million as of September 30, 2014. This decrease essentially resulted from negative currency effects which primarily related to Russia and Ukraine. In addition, disposals also contributed to the decline in property, plant and equipment. These primarily concerned real estate, including from the sale of individual office properties at our headquarters in Dusseldorf during 2013/2014.

As of September 30, 2015, equity and liabilities increased by EUR 1,621 million, or 9.5%, to EUR 18,725 million, from EUR 17,103 million as of September 30, 2014.

This increase was particularly due to an increase in combined equity which rose by EUR 1,825 million from EUR 826 million as of September 30, 2014, to EUR 2,651 million as of September 30, 2015. As set out above, the key contributions to the increase in combined equity came from transactions in the context of the sale of the GALERIA Kaufhof group as of September 30, 2015. As of September 30, 2015, the disposal of the GALERIA Kaufhof group essentially led to an increase in cash and cash equivalents. In the Combined Financial Statements, the cash inflow from the sale is shown as a contribution to equity and reflected accordingly in combined net assets (equity). Transactions in connection with the GALERIA Kaufhof group resulted in contributions of EUR 1,985 million as of September 30, 2015, compared to EUR 39 million as of September 30, 2014. Furthermore, changes in equity were impacted by the transactions in connection with the Demerger of METRO AG and the related split of assets and liabilities according to economic activities. In particular, transactions related to MKFH resulted in a contribution of EUR 101 million as of September 30, 2015, compared to a withdrawal of EUR 104 million as of September 30, 2014. As an opposing effect, dividends paid by METRO AG (with cash and cash equivalents allocated to our Group) led to withdrawals of EUR 295 million as of September 30, 2015, with no such effect as of September 30, 2014. In addition, as of September 30, 2014, contributions related to a refund of withholding tax on dividends amounting to EUR 113 million, with no such effect as of September 30, 2015.

Our current liabilities decreased by EUR 828 million to EUR 10,240 million as of September 30, 2015, as compared to EUR 11,068 million as of September 30, 2014. The major part of this decrease related to decreased current borrowings which amounted to EUR 2,961 million as of September 30, 2015, down by EUR 464 million from EUR 3,425 million as of September 30,

2014, due to our continued effort to reduce our overall Net Indebtedness. In addition, current trade liabilities decreased by EUR 207 million to EUR 5,011 million as of September 30, 2015, from EUR 5,218 million as of September 30, 2014, mainly related to a decline in trade liabilities at our METRO Wholesale segment which was primarily due to the disposal of our wholesale activities in Greece.

In contrast, our non-current liabilities increased by EUR 625 million from EUR 5,209 million as of September 30, 2014, to EUR 5,834 million as of September 30, 2015. The main reason for this increase were higher non-current borrowings which increased by EUR 551 million to EUR 4,714 million as of September 30, 2015, from EUR 4,163 million as of September 30, 2014. This increase was mainly caused by the emission of two new bonds.

8.8. Liquidity and Capital Resources

8.8.1. Overview

In the periods under review, our principal sources of funds were cash flow from operating activities and borrowings. Our principal uses of cash were to fund investments and working capital and debt service obligations (including payment of interest and repayment of principle).

8.8.2. Combined Cash Flow Statement

The following table shows our combined cash flow statement for the six-month periods 2016/2017 and 2015/2016, and for the financial years 2015/2016, 2014/2015 and 2013/2014:

(in EUR million)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
EBIT	504	874	1,219	860	999
Depreciation / amortization / impairment losses excluding financial investments	355	333	699	746	754
Change in provisions for post-employment benefits plans and other provisions	(17)	(3)	61	(40)	41
Change in net working capital	(494)	(392)	(77)	(47)	(108)
Income taxes paid	(103)	(116)	(203)	(376)	(356)
Reclassification of gains (–) from the disposal of fixed assets	(112)	(2)	(158)	(198)	(163)
Other	(268)	(513)	(368)	307	(43)
Cash flow from operating activities	**(135)**	**181**	**1,173**	**1,252**	**1,124**
Acquisition of subsidiaries	(180)	0	(81)	(241)	0
Investments in property, plant and equipment (excl. finance leases)	(281)	(307)	(592)	(705)	(571)
Other investments	(63)	(106)	(234)	(590)	(335)
Investments in monetary assets, disposal of money	(481)	(194)	—	—	—
Disposals of subsidiaries	(47)	357	359	66	(89)
Disposal of fixed assets	66	41	902	445	441
Gains (+) from the disposal of fixed assets	112	2	158	198	163
Sale of short-term investments	540	362	—	—	—
Cash flow from investing activities	**(334)**	**155**	**512**	**(827)**	**(391)**
Profit distributions attributable to METRO AG	(8)	0	—	—	—
Profit distributions attributable to non-controlling interests	(19)	(9)	(15)	(14)	(10)
Redemption of liabilities from put options of non-controlling interests	(20)	(86)	(86)	0	0
New borrowings	1,542	400	540	3,733	3,868
Redemption of borrowings	(1,100)	(2,685)	(3,686)	(3,782)	(4,255)
Interest paid	(100)	(139)	(273)	(288)	(398)
Interest received	13	26	76	54	40
Profit and loss transfers and other financing activities	(213)	(25)	(46)	(112)	(101)

(in EUR million)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
Transactions with METRO Group	0	122	(23)	1,896	127
thereof dividend payment of METRO AG	—	—	(327)	(295)	0
thereof cash contributions	(0)	460	523	2,570	177
thereof cash withdrawals	(0)	(338)	(219)	(379)	(50)
Cash flow from financing activities	**95**	**(2,396)**	**(3,513)**	**1,487**	**(729)**
Total cash flows	**(374)**	**(2,060)**	**(1,828)**	**1,912**	**4**
Currency effects on cash and cash equivalents	10	(15)	(11)	12	4
Total change in cash and cash equivalents	**(364)**	**(2,075)**	**(1,839)**	**1,924**	**8**
Cash and cash equivalents as of October 1	1,599	3,438	3,438	1,514	1,506
Cash and cash equivalents shown under IFRS 5 assets	0	2	2	2	0
Cash and cash equivalents as of the beginning of the reporting period	**1,599**	**3,436**	**3,436**	**1,512**	**1,506**
Cash and cash equivalents as of the end of the reporting period	—	—	1,599	3,438	1,514
Cash and cash equivalents shown under IFRS 5 assets	—	—	0	2	2
Cash and cash equivalents as of the end of the reporting period	**1,236**	**1,363**	**1,599**	**3,436**	**1,512**

8.8.3. Comparison of Cash Flows for the Six-Month Periods 2016/2017 and 2015/2016

8.8.3.1. Cash Flow from Operating Activities

In the six-month period 2016/2017, our cash flow from operating activities decreased by EUR 317 million to EUR (135) million, from EUR 181 million in the six-month period 2015/2016.

This decrease was to a major part caused by the development of our EBIT which negatively affected our cash flow from operating activities. In the first half of 2015/2016, our EBIT was driven, in particular, by the extraordinary gains attributable to the disposal of our wholesale activities in Vietnam. For the purposes of our cash flow from operating activities, these gains were eliminated by an offsetting item under the line item "other". When adjusted for the net gain from the disposal of our wholesale activities in Vietnam, EBIT increased by EUR 67 million vis-à-vis the six-month period in the previous financial year.

In addition, reclassification of gains from the disposal of fixed assets impacted our cash flow from operating activities as negative effects from their reclassification from operating to investing activities increased by EUR 110 million to EUR (112) million in the six-month period 2016/2017, as compared to EUR (2) million in the six-month period 2015/2016, mainly due to more and larger real estate transactions than in the same period a year before. Furthermore, the change in net working capital, which included changes in inventories, trade receivables and receivables due from suppliers included in the item "other financial and non-financial assets" as well as changes in trade liabilities negatively affected our cash flow from operating activities as cash out flows increased by EUR 101 million, or 25.8%, to EUR 494 million in the six-month period 2016/2017, from EUR 392 million in the six-month period 2015/2016. These changes were mainly related to the abovementioned calender effects (including the Easter holidays falling in the third quarter of our financial year) as well as timing effects related to an increased share of trade supplier invoices that was settled through the trading and service co-operation Markant.

The major counter effect resulted from the line item "other" which included changes in other assets and liabilities, deferred income and prepaid expenses, as well as changes in the assets and liabilities held for sale, adjustments of unrealized currency effects and the elimination of deconsolidation results recognized in EBIT. Negative effects on our cash flow from operating activities decreased by EUR 245 million to EUR (268) million in the six-month period 2016/2017 as compared to EUR (513) million in the six-month period 2015/2016. This decrease was mainly related to the aforementioned elimination of the gain (included in EBIT and referred to above) from the disposal of our wholesale activities in Vietnam in December 2015, with the cash

purchase price being subsequently received in January 2016. After the Vietnam disposal, the line item "other" benefitted from receivables of several entities within MWFS Group being settled by METRO Cash & Carry Vietnam subsequent to completion of the transaction in the six-month period 2015/2016. Further positive effects resulted from depreciation / amortization / impairment losses (and their reversals) on fixed assets excluding financial investments with increased positive effects of EUR 355 million in the six-month period 2016/2017, as compared to EUR 333 million in the six-month period 2015/2016, and decreased cash outflows from income taxes paid of EUR 103 million in the six-month period 2016/2017 as compared to EUR 116 million in the six-month period 2015/2016.

8.8.3.2. Cash Flow from Investing Activities

Our cash flow from investing activities decreased by EUR 489 million to EUR (334) million in the six-month period 2016/2017, as compared to net cash inflows EUR 155 million in the six-month period 2015/2016.

This decrease was particularly due to negative effects from disposal of subsidiaries which resulted in positive cash effects of EUR 357 million in the six-month period 2015/2016, mainly related to the disposal of our wholesale operations in Vietnam whereas in the six-month period 2016/2017 the disposal of subsidiaries resulted in cash outflows of EUR 47 million primarily attributable to the disposal of the four remaining hypermarkets of Real Eastern Europe (whereas the overall impact of the transaction, in particular, on our Net Indebtedness was minor due to the derecognization of payables under finance leases).

Furthermore, cash outflows for short-term monetary investments increased by EUR 287 million to EUR (481) million in the six-month period 2016/2017, as compared to EUR (194) million in the first half of 2015/2016. On the other hand, cash inflows from the disposal of short-term monetary investments increased by EUR 178 million to EUR 540 million in the six-month period 2016/2017, from EUR 362 million in the six-month period 2015/2016 both related to using surplus liquidity if and when it is available in order to optimize the financial result. In addition, increased negative cash flow effects from the acquisition of subsidiaries contributed to the overall decline in cash flow from investing activities as a cash outflow of EUR 180 million in the six-month period 2016/2017 essentially related to the acquisition of the Pro à Pro group had no equivalent in the six-month period of 2015/2016.

The increase of gains (+) from the disposal of fixed assets by EUR 110 million to EUR 112 million in the six-month period 2016/2017, from EUR 2 million in the six-month period 2015/2016, which was primarily related to the sale of real estate, resulted in a major balancing effect positively impacting the cash flow from investing activities.

8.8.3.3. Cash Flow from Financing Activities

In the six-month period 2016/2017, our cash flow from financing activities increased substantially by EUR 2,492 million to cash flows of EUR 95 million as compared to cash flows of EUR (2,396) million in the six-month period 2015/2016.

This increase was primarily due to significantly reduced cash outflows from redemption of borrowings which decreased by EUR 1,585 million, or 59.0%, to EUR (1,100) million in the six-month period 2016/2017, from EUR (2,685) million in the six-month period 2015/2016. The disproportionately large redemption of borrowings in the first half of 2015/2016 utilized the cash payment received from the GALERIA Kaufhof disposal (recognized in 2014/2015 as a contribution to equity in our Combined Financial Statements) to reduce our Net Indebtedness. Furthermore, new borrowings resulted in cash inflows of EUR 1,542 million in the first half of 2016/2017, mainly related to the issuance of notes under our German Commercial Paper Program as compared to significantly lower cash inflows of EUR 400 million in the first half of 2015/2016. In addition, we reduced our cash outflow from redemption of liabilities from put options of non-controlling interests by EUR 66 million, or 77.1%, to EUR (20) million in the six-month period 2016/2017, from EUR (86) million in the six-month period 2015/2016 as we acquired the non-controlling interest in a wholesale business in Eastern Europe in which we already held a controlling interest in the six-month period 2015/2016, with no such transaction in the six-month period 2016/2017. A countereffect resulted from increased cash outflows of EUR 213 million attributable to profit and loss transfers and other financing activities in the first

half of 2016/2017 (EUR 25 million in the first half of 2015/2016) which included, in particular, a payout of EUR 221 million towards CE Group under a liability recognized at September 30, 2016, as stipulated under the Demerger Agreement.

In contrast, cash flows related to transactions with the METRO Group fully decreased to EUR 0 million in the six-month period 2016/2017 after a substantial cash inflow of EUR 122 million in the six-month period 2015/2016 due to the split of the cash management system of METRO Group into two independent systems for MWFS Group and CE Group effective as of October 1, 2016.

8.8.4. Comparison of Cash Flows for the Financial Years 2015/2016 and 2014/2015

8.8.4.1. Cash Flow from Operating Activities

In the financial year 2015/2016, our cash flow from operating activities decreased by EUR 79 million, or 6.2%, to EUR 1,173 million from EUR 1,252 million in the financial year 2014/2015. This decrease was mainly due to a significant decrease in our other operating cash flow which more than offset the increase of our EBIT by EUR 358 million as set out above.

Cash flow effects from "other" (which included changes in other assets and liabilities, deferred income and prepaid expenses, as well as changes in the assets and liabilities held for sale, adjustments of unrealized currency effects and the elimination of deconsolidation results recognized in EBIT) negatively impacted our cash flow from operating activities by EUR 675 million as we had positive cash flow effects of EUR 307 million in 2014/2015 as compared to negative cash flow effects of EUR 368 million in 2015/2016. These negative cash flow effects from "other" in 2015/2016 primarily related to the deconsolidation of our wholesale business in Vietnam whereas the positive effects in 2014/2015 primarily related to adjustments of unrealized currency effects. In addition, depreciation / amortization / impairment losses excluding financial investments (which in both financial years primarily concerned property, plant and equipment) resulted in decreased positive cash effects of EUR 699 million in 2015/2016 as compared to EUR 746 million in the financial year 2014/2015. This decrease of EUR 47 million, or 6.3%, was generally in line with the reduction of our assets base as set out above. Cash effects from the change in net working capital amounted to EUR (77) million in 2015/2016, as compared to EUR (47) million in the prior financial year, and included changes in inventories, trade receivables and receivables due from suppliers included in the item other financial and non-financial assets as well as changes in trade liabilities. This change in net working capital resulted primarily from the collaboration with the trading and service co-operation Markant with respect to settlement.

Balancing positive cash flow effects resulted primarily from reduced income taxes paid where cash outflows decreased by EUR 173 million, or 45.9%, to EUR 203 million in the financial year 2015/2016 from EUR 376 million in the financial year 2014/2015. Furthermore, change in provisions for post-employment benefits plans and other provisions resulted in positive cash effects of EUR 61 million in 2015/2016 as compared to negative cash effects of EUR 40 million in the previous financial year.

8.8.4.2. Cash Flow from Investing Activities

Our cash flow from investing activities increased by EUR 1,339 million to EUR 512 million in the financial year 2015/2016, as compared to EUR (827) million in the financial year 2014/2015.

This increase was particularly due to positive effects from the disposal of fixed assets which increased by EUR 457 million to EUR 902 million in 2015/2016 (mainly related to repayments of short-term financial investments in the amount of EUR 777 million) from EUR 445 million in 2014/2015. Of these repayments, EUR 415 million related to financial investments made during the previous year while EUR 362 million related to repayments of the CE Group. In addition, reduced negative cash flow effects from other investments (which concerned primarily short-term monetary investments) of EUR 234 million in 2015/2016 as compared to EUR 590 million in 2014/2015 positively impacted our cash flow from investing activities by EUR 356 million, or 60.3%. Essentially resulting from the sale of our wholesale activities in Vietnam, cash inflow from the disposals of subsidiaries increased to EUR 359 million in 2015/2016, whereas the prior financial year's cash inflow of EUR 66 million essentially resulted from the sale of our wholesale

activities in Greece. Also, reduced cash outflows from the acquisition of subsidiaries contributed to our increased cash flow from investing activities. In 2015/2016, negative cash flow effects of EUR 81 million in relation to the acquisition of subsidiaries essentially concerned the acquisition of the Rungis express group whereas, in 2014/2015, this item included cash outflows of EUR 241 million mainly for the acquisition of the Classic Fine Foods group.

8.8.4.3. Cash Flow from Financing Activities

In the financial year 2015/2016, our cash flow from financing activities decreased substantially by EUR 5,000 million to cash outflows of EUR 3,513 million as compared to cash inflows of EUR 1,487 million in the financial year 2014/2015. This decrease was primarily due to significantly reduced cash inflows from new borrowings and transactions with the METRO Group (which included contributions and withdrawals in connection with the carve-out, dividend payouts and transactions such as the sale of the GALERIA Kaufhof group in 2014/2015). Cash inflows from new borrowings decreased by EUR 3,193 million, or 85.5%, to EUR 540 million in 2015/2016 from EUR 3,733 million in the prior financial year, mainly due to our continued efforts to reduce our overall indebtedness.

Transactions with the METRO Group resulted in cash outflows of EUR 23 million in 2015/2014 after substantial cash inflows of EUR 1,896 million in 2014/2015, resulting predominantly from the sale of the GALERIA Kaufhof group.

8.8.5. Comparison of Cash Flows for the Financial Years 2014/2015 and 2013/2014

8.8.5.1. Cash Flow from Operating Activities

In the financial year 2014/2015, our cash flow from operating activities increased by EUR 128 million, or 11.4%, to EUR 1,252 million from EUR 1,124 million in the financial year 2013/2014.

This increase was predominantly due to positive cash flow effects from "other" of EUR 307 million in 2014/2015 which were primarily related to adjustments of unrealized currency effects, as compared to negative cash flow effects of EUR 43 million in 2013/2014. In addition, change in net working capital contributed to our improved cash flow from operating activities as negative cash flow effects decreased by EUR 61 million, or 56.5%, from EUR (108) million in the 2013/2014 to EUR (47) million in 2014/2015. This improvement was mainly a result of our rigorous management of Net Working Capital.

Opposing effects resulted from our reduced EBIT as set out above, as well as from a change in provisions for post-employment benefits plans and other provisions. The latter contributed positive cash flow effects of EUR 41 million in 2013/2014, as compared to negative cash flow effects of EUR 40 million in 2014/2015, as related provisions decreased as of September 30, 2015, as compared to September 30, 2014.

8.8.5.2. Cash Flow from Investing Activities

In the financial year 2014/2015, our cash flow from investing activities decreased by EUR 436 million to EUR (827) million as compared to EUR (391) million in the financial year 2013/2014. This decrease was mainly due to other investments, the acquisition of subsidiaries and investments in property, plant and equipment (excluding finance leases).

Negative cash flow effects related to other investments increased by EUR 255 million, or 76.0%, totaling EUR 590 million in 2014/2015 attributable to various short-term monetary investments as compared to EUR 335 million in 2013/2014 which primarily related to the acquisition of ten single-property companies. In addition, negative cash flow effects from the acquisition of subsidiaries amounted to EUR 241 million in 2014/2015, mainly attributable to the aforementioned acquisition of the Classic Fine Foods group, while in the prior financial year no such cash flow effects occurred. Furthermore, negative cash flow effects from investments in property, plant and equipment (excluding finance leases) increased substantially by EUR 134 million, or 23.5%, to EUR 705 million in 2014/2015 mainly due to increased payments for concept and modernization measures as well as sustainability projects and new store openings as compared to EUR 571 million in the prior financial year.

Opposing (positive) cash flow effects resulted primarily from disposals of subsidiaries which contributed cash inflows of EUR 66 million in 2014/2015 primarily related to the sale of our wholesale activities in Greece whereas we had incurred negative cash flow effects of EUR 89 million in 2013/2014, primarily in connection with the sale of Real's Eastern European business.

8.8.5.3. Cash Flow from Financing Activities

In the financial year 2014/2015, our cash flow from financing activities increased significantly by EUR 2,216 million to EUR 1,487 million while we had incurred negative cash flow effects of EUR 729 million in the financial year 2013/2014.

The main reason for these positive cash flow effects were transactions with the METRO Group which resulted in positive cash flow effects of EUR 1,896 million in 2014/2015 as compared to EUR 127 million in the previous financial year, mainly due to the cash contribution resulting from the aforementioned sale of the GALERIA Kaufhof group in 2014/2015. Another positive cash flow effect resulted from reduced cash outflows concerning the redemption of borrowings which totaled EUR 3,782 million in 2014/2015 as compared to EUR 4,255 million in 2013/2014. Furthermore, cash outflows from interest paid decreased in 2014/2015 by EUR 111 million, or 27.8%, to EUR 288 million from EUR 398 million in 2013/2014, primarily due to the overall reduction of our Net Indebtedness as well as improved financing terms.

8.8.6. Investments

8.8.6.1. Overview

Our investments include additions (including additions to the combination group) to goodwill, other intangible assets (such as self-developed software or acquired licenses, brands and customer lists), property, plant and equipment as well as investment properties, except for additions due to the reclassification of "assets held for sale" as non-current assets. Investments include additions to finance leases which are non-cash in nature at the time of capitalization. Investments shown in this section are not identical with cash flow from investing activities as described above under *8.8.2. "— Combined Cash Flow Statement"*, mainly as the latter excludes non-cash effective elements such as additions to finance leases but include short-term monetary investments (with a maturity between 3 and 12 months) and other investments in financial instruments.

The main source of funding for our historic and ongoing investments has been, and continues to be, cash flow from operating activities and borrowings.

For information on our investment strategy, see also *10.3.1. "Business — Strategy — Five Overarching Strategic Value Levers for our Wholesale Business"*.

The following table shows our investments of the Group and, as applicable, broken down by segments and regions for the six-month periods 2016/2017 and 2015/2016 for the financial years 2015/2016, 2014/2015 and 2013/2014:

	For the six-month period		**For the financial year**		
(in EUR million)	**2016/2017**	**2015/2016**	**2015/2016**	**2014/2015**	**2013/2014**
	(unaudited)		**(audited)**		
Investments of the Group	346	383	1,007	1,155	757
broken down by segments:					
METRO Wholesale	261	172	614	750	441
Real	32	157	260	241	172
Others	53	54	133	165	144
broken down by regions:					
Germany	91	237	556	448	356
Western Europe (excluding Germany)	199	43	184	164	128
Eastern Europe	40	80	170	195	199
Asia	17	22	97	349	75

8.8.6.2. Ongoing and Future Investments

Investments totaled EUR 346 million in the six-month period 2016/2017 which are mainly related to our METRO Wholesale segment. Regarding our METRO Wholesale segment, the major part of the investments in the first half of 2016/2017 related to the recently closed acquisition of the Pro à Pro group (see also *10.7.1.3. "Business — Multi-Channel Offering — Foodservice Distribution (FSD) — Pro à Pro*") leading to an increased level of investments in Western Europe (excluding Germany). In addition, maintenance (including sustainability and IT investments) of our existing warehouse network with a regional focus on Russia, Germany, France, China and Turkey contributed to growing investments. Furthermore, investments concerned new warehouse openings in the METRO Wholesale segment mainly related to Russia, China, Belgium and Italy. The most significant part of our investments attributable to the Real segment in the first half of 2016/2017 related to maintenance and modernization of our hypermarket network in Germany. With respect to investments attributable to our Others segment, these mainly related to concept and modernization measures and intangible assets such as self-developed software in the six-month period 2016/2017.

In total, we have budgeted investments of approximately EUR 1 billion for the financial year 2016/2017 (including, in particular, the investments related to the recently closed acquisition of Pro à Pro). In the mid-term, we expect annual investments (excluding additions to finance leases as well as mergers and acquisitions) to remain below approximately 2% of our total sales, targeting with respect to METRO Wholesale savings of approximately 10% as compared to the investment level in 2015/2016.

An important part of our planned investments relate to the continued expansion of our FSD business at METRO Wholesale (including the development of software solutions for our FSD business), the select opening of new warehouses (for example, in Russia, India and China) and the planned holistic modernization of our logistics network in Germany including the two separate distribution centers in Marl.

8.8.6.3. Investments in the Financial Year 2015/2016

In the financial year 2015/2016, we recorded investments of EUR 1,007 million. Thereof, EUR 614 million were attributable to our METRO Wholesale, EUR 260 million to our Real, and EUR 133 million to our Others segment.

Regarding our METRO Wholesale segment, the major part of the investments in 2015/2016 related to maintenance (including sustainability and IT investments) of our existing warehouse network with a regional focus on Germany, France and China amounting to approximately EUR 240 million. Approximately EUR 130 million of our investments concerned new warehouse openings which in the financial year 2015/2016 related most to Russia, India and China and, to a lesser extent, to Turkey, Croatia, France, Italy and Belgium. In addition, approximately EUR 90 million of our investments related to mergers & acquisitions whereby most of this amount was attributable to the acquisition of the Rungis express group which is operating in the DACH region. Furthermore, we again invested substantially in the remodeling of our existing warehouse network totaling approximately EUR 90 million in the financial year 2015/2016 with a regional focus on China, the Netherlands and Germany. An amount of approximately EUR 50 million related to investments in our delivery capabilities in 2015/2016 including, *inter alia*, investments in logistics such as stand-alone depots and out-of-store delivery capabilities mainly in Germany, the Netherlands, Belgium and Russia.

A significant part of our investments in 2015/2016 attributed to the Real segment related to the addition to finance leases concerning Real hypermarkets amounting to approximately EUR 130 million. Another significant part of our investments attributed to Real related to investments in an amount of approximately EUR 120 million as part of our store maintenance and remodeling efforts, among others regarding our pilot store in Krefeld which was re-launched under our new hybrid "food lover's" concept.

The major part of our investments in 2015/2016 attributed to the Others segment related to investments in concept and modernization measures, self-developed software as well as start-up companies Orderbird and Shore.

8.8.6.4. Investments in the Financial Year 2014/2015

In the financial year 2014/2015, we recorded investments of EUR 1,155 million. Thereof, EUR 750 million were attributable to our METRO Wholesale, EUR 241 million to our Real, and EUR 165 million to our Others segment.

With respect to our METRO Wholesale segment, a significant part of our investments in 2014/2015 related to mergers & acquisitions. This part of our investments amounted to approximately EUR 260 million, essentially reflected the acquisition of the Classic Fine Foods group and was, thus, attributable mainly to Asia. Investments for the maintenance of our warehouse network again accounted for another significant share of our overall investments and totaled approximately EUR 220 million in 2014/2015. Investments in new warehouse openings which concentrated predominantly on Russia and China totaled approximately EUR 170 million during the financial year 2014/2015. Furthermore, we invested in the remodeling of our existing warehouse network in the amount of approximately EUR 80 million in 2014/2015 with a regional focus on China, Italy and the Netherlands. Investments in our delivery capabilities amounted to approximately EUR 20 million and primarily related to Russia, Germany and China.

The major part of our investments in 2014/2015 attributed to the Real segment related to investments in land and buildings for store maintenance and remodeling in the amount of approximately EUR 180 million. Following the successful modernization of 50 hypermarkets as part of our Big Bang program in the previous financial year, 57 additional hypermarkets were modernized in 2014/2015. The remaining part of our investments attributable to the Real segment of approximately EUR 60 million related to additions to finance leases.

Our investments in 2014/2015 attributed to the Others segment related mostly to concept and modernization measures as well as intangible assets. In addition, investments in real estate were made through the exercise of purchasing rights.

8.8.6.5. Investments in the Financial Year 2013/2014

In the financial year 2013/2014, we recorded investments of EUR 757 million. Thereof, EUR 441 million were attributed to our METRO Wholesale, EUR 172 million to our Real and EUR 144 million to our Others segments.

Regarding our METRO Wholesale segment, the major part of the investments in 2013/2014 related to investments in maintenance of our warehouse network in the amount of approximately EUR 180 million with a regional focus on France, Germany, China, Russia and Turkey. Investments in new warehouse openings which mainly concerned China and Russia totaled approximately EUR 170 million in 2013/2014. Also, we invested in the remodeling of our existing warehouse network in the amount of approximately EUR 60 million primarily related to Italy, France, Germany and Russia and in our delivery capabilities in the amount of approximately EUR 20 million driven by Germany, Russia and Turkey.

The major part of our investments in 2013/2014 attributed to the Real segment related to investments in land and buildings for store maintenance and remodeling in the amount of approximately EUR 170 million driven by the modernization of 50 hypermarkets as part of our Big Bang program.

The major part of the investments in 2013/2014 attributed to the Others segment related mainly to intangible assets and business and office equipment as well as investments related to real estate transactions including the exercise of purchasing rights.

8.8.7. Financial and Other Liabilities

8.8.7.1. Financial Liabilities

Financial liabilities, referred to as borrowings in the Combined Financial Statements, amounted to EUR 5,168 million as of March 31, 2017 and comprised bonds, liabilities to banks, promissory note loans, other borrowings and liabilities from finance leases.

The following table shows our financial liabilities as of March 31, 2017 and September 30, 2016, including a breakdown of these financial liabilities according to maturity as of September 30, 2016:

(in EUR million)	As of March 31, 2017	As of September 30, 2016			
	Total	**Total**	**Maturity of 0-1 year**	**Maturity of 1-5 years**	**Maturity of >5 years**
	(unaudited)	**(audited)**			
Borrowings	**5,168**	**4,740**	**944**	**1,691**	**2,104**
Bonds	3,614	3,164	722	1,172	1,269
Liabilities to banks	319	275	130	127	17
Promissory note loans	63	68	2	12	54
Other borrowings	1	0	0	0	0
Liabilities from finance leases	1,171	1,234	90	380	764

For additional information on our financial liabilities, see Note 10 of the Unaudited Condensed Combined Interim Financial Statements and Note 34 of the Audited Combined Financial Statements in *20. "Financial Information"*, and for information on our financing agreements, see *11.2. "Material Contracts — Financing Agreements".*

8.8.7.2. Other Financial and Non-financial Liabilities

The following table shows our other financial and non-financial liabilities as of March 31, 2017 and September 30, 2016, including a breakdown of these financial liabilities according to maturity as of September 30, 2016:

(in EUR million)	As of March 31, 2017	As of September 30, 2016			
	Total	**Total**	**Maturity of 0-1 year**	**Maturity of 1-5 years**	**Maturity of >5 years**
	(unaudited)	**(audited)**			
Other financial and non-financial liabilities	**1,217**	**1,718**	**1,591**	**76**	**51**
Other tax liabilities[1]	144	161	161	0	0
Prepayments received on orders	15	15	15	0	0
Payroll liabilities	472	554	553	0	0
Liabilities from other financial transactions[2]	10	16	16	0	0
Deferred income[3]	248	222	134	54	34
Miscellaneous liabilities[4]	328	752	713	22	17

1 Other tax liabilities include value added tax and other sales taxes, land tax, wage and church tax as well as other taxes.

2 Liabilities from other financial transactions include liabilities from leases (no finance leases).

3 Deferred income includes accrued rental, leasing and interest income as well as accrued sales from customer loyalty programs, the sale of vouchers and guarantee contracts and other accruals.

4 Miscellaneous liabilities include liabilities from the purchase of other fixed assets, liabilities to customers, liabilities from put options of third-party shareholders of MWFS Group, liabilities from real estate and, as of September 30, 2016, a liability in connection with the initial cash resources of CE Group in the amount of EUR 221 million.

Other financial liabilities comprised all financial liabilities that are not "held for trading" and were carried at amortized cost using the effective interest method as the fair value option is not applied within MWFS Group.

For additional information on our other financial and non-financial liabilities, see Note 10 of the Unaudited Condensed Combined Interim Financial Statements and Notes 34 and 37 of the Audited Combined Financial Statements in *20. "Financial Information"*.

8.8.7.3. Contingent Liabilities and Purchasing Obligations

Contingent liabilities include, 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 Group'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 recognized in the balance sheet but disclosed in the notes to the Audited Combined Financial Statements.

The following table shows our contingent liabilities as of March 31, 2017, as well as September 30, 2016, 2015 and 2014:

(in EUR million)	As of March 31, 2017	As of September 30, 2016	2015	2014
	(unaudited)	(audited)		
Contingent Liabilities	**64**	**69**	**70**	**89**
Liabilities from suretyships and guarantees	12	17	13	17
Liabilities from guarantee and warranty contracts[1]	52	52	57	73

[1] Contingent liabilities from guarantee and warranty contracts include primarily rent guarantees with terms of up to ten years if utilization is not considered entirely unlikely.

Furthermore, as of March 31, 2017, we had purchasing obligations in relation to property, plant and equipment totaling EUR 121 million, as well as purchasing obligations for intangible assets of EUR 2 million. As of September 30, 2016, 2015, 2014, we had purchasing obligations in relation to property, plant and equipment totaling EUR 124 million, EUR 137 million and EUR 80 million, as well as purchasing obligations for intangible assets of EUR 1 million, EUR 0 million and EUR 0 million, respectively.

In addition, we had incurred other financial commitments in the nominal amount of EUR 374 million as of March 31, 2017 (EUR 309 million as of September 30, 2016; EUR 340 million as of September 30, 2015 and EUR 370 million as of September 30, 2014), in each case, primarily concerning purchasing obligations under service agreements.

8.8.7.4. Payments Due under Finance and Operating Leases

The following table shows payments due under finance and operating leases as of March 31, 2017 and September 30, 2016, including a breakdown of these financial liabilities according to maturity as of September 30, 2016:

	As of March 31, 2017	As of September 30, 2016			
(in EUR million)	Total	Total	Maturity of 0-1 year	Maturity of 1-5 years	Maturity of >5 years
	(unaudited)	(audited)			
Finance leases:					
Future lease payments due (nominal)	1,768	1,880	171	649	1,060
Discount	(598)	(646)	(13)	(135)	(498)
Present value	1,171	1,234	158	514	562
Operating leases:					
Future lease payments due (nominal)	5,562	5,117	617	2,026	2,474

For additional information on our finance and operating liabilities, see Note 5 of the Unaudited Condensed Combined Interim Financial Statements and Notes 34 and 37 of the Audited Combined Financial Statements in *20. "Financial Information"*.

See also *1.5.3. "Risk Factors — Legal, Regulatory and Tax Risks — Increased governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety or trade could negatively affect our sales, profits and financial position in different ways."* on the new IFRS 16 which will (subject to the respective EU endorsement) replace the currently applicable IAS 17 (Leases) as from our financial year 2019/2020 and potential impacts of the introduction of the new standards on our income statement and balance sheet. According to a preliminary assessment, applying IFRS 16 will result in changes to equity and the corresponding equity ratio. Fixed assets and financial debt will both presumably increase significantly. With respect to our income statement, EBIT and, most notably, EBITDA are expected to increase while interest expenses are expected to increase with a, however, smaller balancing effect from an expected increase in interest income.

8.8.7.5. Provisions for Post-employment Benefits Plans and Similar Obligations

The following table shows our provisions for post-employment benefits plans and similar obligations as of March 31, 2017 and September 30, 2016, 2015 and 2014:

(in EUR million)	As of March 31, 2017	As of September 30, 2016	2015	2014
		2016		
	(unaudited)	(audited)		
Total	**610**	**646**	**547**	**592**
Provisions for post-employment benefits plans (employer's commitments)	408	448	364	401
Provisions for indirect commitments	54	54	49	52
Provisions for voluntary pension benefits	0	0	0	0
Provisions for company pension plans	93	88	83	92
Provisions for obligations similar to pensions	55	55	51	47

In the last three financial years, provisions for post-employment benefits plans consisted of commitments primarily related to benefits defined by the provisions of company pension plans. These took the form of defined benefit and defined contribution 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 served exclusively to finance the pension entitlements and qualified as plan assets. The benefits under the different plans were based on performance and length of service.

The granting of defined benefit pension entitlements exposes us to various risks. However, we believe that provisions are sufficient to cover future post-employment benefit plans and similar obligations. For further information on our post-employment benefit plans, see Note 9 of the Unaudited Condensed Combined Interim Financial Statements and Note 32 of the Audited Combined Financial Statements in *20. "Financial Information"*.

The provisions for obligations similar to pensions essentially comprise commitments from employment anniversary allowances, death benefits and pre-retirement part-time plans.

8.9. Quantitative and Qualitative Disclosure of Financial Risks

8.9.1. Overview

In the course of our operating activities we are exposed to financial risks. These primarily relate to price risks (including currency risks), liquidity risks, creditworthiness risks and cash flow risks. The goal of financial risk management is to reduce financial risks. In the financial years 2015/2016, 2014/2015 and 2013/2014 presented here, the treasury department of METRO AG managed MWFS Group's financial risks during the reporting periods. For additional information on these financial risks and their management, see Note 44 of the Audited Combined Financial Statements in *20. "Financial Information"*.

8.9.2. Price Risks

For us, 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.

As of the respective balance sheet dates of our Audited Combined Financial Statements, our remaining interest rate risk was 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 EUR 1,339 million as of September 30, 2016 (September 30, 2015: EUR 2,104 million; September 30, 2014: EUR (199) million).

Given this total balance, an interest rate rise of 10 basis points would have resulted in a higher income of EUR 1 million in 2015/2016 (2014/2015: EUR 2 million; 2013/2014: EUR 0 million) per year reported in the interest result. An interest rate decrease of 10 basis points would have had the opposite effect.

We also face currency risks in our 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 price 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. Forex futures as well as currency swaps are used to limit currency risks.

The following table shows our remaining currency rate risk from impact on our combined profit or loss for the period through the devaluation / revaluation of the Euro by 10% as of the respective balance sheet dates of our Audited Combined Financial Statements:

	(in EUR million)					
	Sept. 30, 2016		Sept. 30, 2015		Sept. 30, 2014	
Currency pair	**Volume**	**+/-**	**Volume**	**+/-**	**Volume**	**+/-**
CHF / EUR	25	2	21	2	20	2
CNY / EUR	38	4	33	3	53	5
CZK / EUR	(7)	(1)	65	7	110	11
EGP / EUR	31	3	30	3	28	3
GBP / EUR	(9)	(1)	0	0	0	0
HKD / EUR	(13)	(1)	0	0	0	0
HUF / EUR	(1)	0	(9)	(1)	(7)	(1)
JPY / EUR	(10)	(1)	0	0	0	0
KZT / EUR	13	1	138	14	137	14
MDL / EUR	38	4	35	4	36	4
PLN / EUR	8	1	(7)	(1)	(2)	0
RON / EUR	35	4	70	7	78	8
RSD / EUR	14	1	30	3	24	2
RUB / EUR	(8)	(1)	(34)	(3)	(32)	(3)
TRY / EUR	4	0	(7)	(1)	0	0
UAH / EUR	34	3	33	3	11	1
USD / EUR	(11)	(1)	10	1	6	1

The following table shows our remaining currency rate risk from impact on our equity through the devaluation / revaluation of the Euro by 10% as of the respective balance sheet dates of our Audited Combined Financial Statements:

	(in EUR million)					
	Sept. 30, 2016		Sept. 30, 2015		Sept. 30, 2014	
Currency pair	**Volume**	**+/-**	**Volume**	**+/-**	**Volume**	**+/-**
CNY / EUR	18	2	96	9	55	6
CZK / EUR	5	1	0	0	0	0
GBP / EUR	0	0	0	0	0	0
KZT / EUR	237	24	137	14	114	11
PLN / EUR	75	8	72	7	73	7
RON / EUR	7	1	0	0	0	0
RSD / EUR	16	2	0	0	0	0
RUB / EUR	198	20	0	0	0	0
UAH / EUR	242	24	242	24	242	24
USD / EUR	38	4	288	29	262	26

Currency risks existing in addition to these are mainly the result of US dollar currency positions in various subsidiaries in which the functional currency is not the US dollar or the Euro. At a nominal US dollar volume of EUR 20 million as of September 30, 2016 (September 30, 2015: EUR 140 million; September 30, 2014: EUR 133 million), a devaluation of the US dollar by 10% would have resulted in positive effects of EUR 2 million in combined profit or loss for the period in 2015/2016 (2014/2015: EUR 14 million; 2013/2014: EUR 13 million). Conversely, a revaluation of the US dollar would have had negative effects of EUR 2 million in 2015/2016 (2014/2015: EUR 14 million; 2013/2014: EUR 13 million).

8.9.3. Liquidity Risks

Liquidity risks describe 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 payment flows. In the periods under review, METRO AG acted as financial coordinator for the MWFS Group companies to ensure that they were 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 forecast, which is updated monthly and checked monthly for deviations. This financial forecast 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 programs) as well as bilateral and syndicated loans.

8.9.4. Creditworthiness Risks

Creditworthiness risks arise from the total or partial loss of a counterparty, for example, through bankruptcy or in connection with financial investments and derivative financial instruments with positive market values. MWFS Group's maximum default exposure as of the respective balance sheet date was reflected by the carrying amount of financial assets totaling EUR 3,136 million, EUR 5,675 million and EUR 3,534 million as of September 30, 2016, 2015 and 2014, respectively.

In the course of the risk management of financial investments totaling EUR 1,550 million, EUR 1,588 million and EUR 1,416 million as of September 30, 2016, 2015 and 2014, respectively, and derivative financial instruments totaling EUR 9 million, EUR 54 million and EUR 49 million as of September 30, 2016, 2015 and 2014, respectively, minimum creditworthiness requirements and maximum exposure limits have been defined for all business partners of the MWFS Group. An individual limit is allocated to every counterparty of the MWFS Group; compliance is constantly monitored by the treasury systems.

8.9.5. Cash Flow Risks

A future change in interest rates may cause cash flows 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.

8.10. Critical Accounting Policies Concerning Judgments, Estimates and Assumptions

The preparation of our Combined Financial Statements required the application of accounting methods and policies that are based on judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affected the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the reporting date and the reported amounts of revenue and expenses during the periods under review.

Foremost, the combination group of the Combined Financial Statements was determined through an assessment of the economic activities of MWFS Group applying the common control approach and, thus, concerned all assets and liabilities as well as expenses and income of METRO Group, particularly those of companies which cannot be uniformly attributed to MWFS Group or CE Group. For additional information on the combination group, see *8.3.2. "— Presentation of Financial Information — Combination Group"*.

Other key discretionary decisions that materially affected the amounts reported in the Combined Financial Statements concerned the classification of leases as finance lease or operating lease (including sale-and-lease-back transactions), the determination whether we acted as principal or agent in sales transactions as well as the estimation of the expected execution date 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.

Amongst other things, assumptions and estimates relate to the accounting and measurement of provisions. With regard to non-current provisions, particularly provisions for post-employment benefits plans and similar obligations, the discount factor to be applied is an important estimate in addition to the amount and timing of future cash flows. The discount factor for provisions for post-employment benefits plans has been determined for the

Eurozone and the UK on the basis of the returns of high-quality corporate bonds and the duration of commitments and in countries without a liquid market of suitable corporate bonds on the basis of government bond yields.

Goodwill is capitalized in accordance with IFRS 3 (Business Combinations) insofar as the acquisition was made by legal entities of the combination group. Goodwill resulting from business combinations is attributed to the group of so-called cash-generating units (CGUs) which 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 which generates cash inflows largely independently from the cash inflows of other assets or groups of assets. As a rule, single locations represent CGUs at our Group. For internal management purposes, goodwill within our Group is monitored at the level of the organisational unit sales line per country until September 30, 2015 and, from October 1, 2015, at the level of the three clusters HoReCa, Trader and Multispecialists at METRO Wholesale, and Real. Goodwill impairment tests are therefore conducted at the level of this respective group of CGUs.

In accordance with IAS 38 (Intangible Assets), internally generated intangible assets are capitalized at their production cost. Research costs, in contrast, are not capitalized, but immediately recognized as expenses. The cost of manufacture includes all expenditure directly attributable to the development process. 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 MWFS Group with a finite useful life are subject to straight-line amortisation. Capitalized internally created and purchased software as well as comparable intangible assets are amortized over a period of up to ten years, while licences are amortized over their useful life. These intangible assets are examined for indications of impairment at each closing date. If the recoverable amount is below the amortized cost, an impairment loss is recognized. The impairment loss is reversed if the reasons for the impairment in previous years have ceased to exist.

The impairment test for goodwill and non-current assets has been based on certain assumptions pertaining to the future, which are regularly adjusted. Goodwill has been tested for indications of impairment on each balance sheet date. In addition, there have been event-related impairment tests regarding assets with a definite useful life.

Deferred tax assets have been recognized if realization of future tax benefits is probable. Actual future development of income for tax purposes and hence viability of deferred tax assets, however, may deviate from the estimation made when the deferred taxes are capitalized.

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 realizable value. Merchandise is written down on a case-by-case basis if the anticipated net realizable value declines below the carrying amount of the inventories. Such net realizable 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 recognized impairment loss is reversed.

In accordance with IAS 37, provisions are recognized if legal or constructive obligations to third parties exist that are based on past business transactions or events and will probably result in an outflow of financial resources that can be reliably 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 recognized separately as an asset if their realization is considered virtually certain.

Provisions for onerous contracts are recognized 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 recognized if a constructive obligation to restructure was formalized 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 comprise only obligatory restructuring expenses that are not related to the Company's current activities.

Warranty provisions are accounted for based on past warranty claims and the sales of the current financial year.

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 dependents 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 recognized in profit or loss in the period in which they are incurred.

Other accounting policies with significant impact on our financial performance and financial position are whether MWFS Group acts as principal or agent in sales transactions, useful lives for assets with a definite useful life, recoverability of receivables and accrual-based recognition of supplier compensation.

Although great care has been taken in making judgments, estimates and assumptions, actual values may deviate from them in individual cases. Further information on the judgments, assumptions and estimates upon which the Audited Combined Financial Statements are based, as well as on the Group's accounting standards can be found in the explanations of the individual items in the notes to the Audited Combined Financial Statements as well as *"Accounting principles and methods used in the combined financial statements"* included in *20. "Financial Information"*.

8.11. Additional Information Relating to the Audited Unconsolidated Financial Statements of the Company for the Financial Year 2015/2016

As of October 1, 2013, the Company has had no business operations. In the financial year 2015/2016, the distributable balance sheet profit (*Bilanzgewinn*) as shown in the Company's Audited Unconsolidated Financial Statements amounted to EUR 0. The net loss for the period amounted to EUR 10 million in the financial year 2015/2016 (previous financial year: EUR 0). After losses carried forward from the previous year, withdrawals from reserves retained from earnings, withdrawals from capital reserves and a distribution from capital reserves, the balance sheet profit was EUR 0 in the financial year 2015/2016 (previous year: EUR (3.3) billion). As of September 30, 2016, the total assets and liabilities as shown in the Company's Audited Unconsolidated Financial Statements amounted to EUR 7,535 million. For additional information on the Audited Unconsolidated Financial Statements, see *20. "Financial Information"*.

9. MARKETS AND COMPETITIVE ENVIRONMENT

The statements on markets and competition provided below are based on the cited third-party sources and on our internal market observations and estimates – some of which are, in turn, derived from various sources we believe to be reliable. Such sources include industry publications as well as surveys, data and studies published by third parties, in particular, databases and reports published by Euromonitor International Ltd., London, United Kingdom (“**Euromonitor**”), and GIRA Foodservice, Divonne-les-Bains, France (“**GiRa**”), or reports commissioned by us, in particular, a commissioned study prepared by Kantar Deutschland GmbH, Munich, Germany (“**Kantar TNS**”), entitled “SCO Market Sizing Survey 2016” (the “**Kantar TNS Report**”) with respect to the SCO Market (as defined below), a customized report prepared by Euromonitor on trends in the HoReCa and Trader Markets (as defined below) entitled “IPO Research: Consumer Foodservice and Trader Forecast Model – Qualitative Insights Summary” and dated May 2017 (“**Euromonitor Trend Report**”) and a customized report prepared by GiRa on the competitive environment in the German and French HoReCa Markets entitled “Deep dive on French and German Foodservice markets – Key data on market structure, foodservice distribution and competition”, December 2016 (“**GiRA Deep-Dive French and German Foodservice Report**”). For more information on the sources used, see *2.4*. “*General Information — Information from Third Parties*”.

We have compiled our estimates for the relevant markets and competitive data in part on the basis of available historical data and the customized reports from Kantar TNS, Euromonitor and GiRa, and in part on the basis of assumptions and methodologies which we believe to be reasonable, as well as various sources we believe to be reliable. We did not verify or modify any of the market data provided by Kantar TNS, Euromonitor, GiRa or other third-party providers, although we have delivered, upon such Kantar TNS’s, Euromonitor’s and GiRa’s request, certain factual information and have discussed the underlying assumptions and scope of the respective reports with the market research companies preparing such reports. For example, we have provided Kantar TNS with a set of potential competitors in an SCO B2B context for different countries, and have provided Euromonitor with a set of market trends that we had observed and for which validation was required. In the Kantar TNS Report, the market analysis has been assessed based, to a large extent, on the businesses that we operate. In the customized reports, Euromonitor and GiRa have provided data either not yet published by them, or with different breakdowns and categorization than those generally used in their publicly available research according to their own definitions, in order to account for breakdowns and categories most relevant to our business.

Due to the lack of comparable publicly available information in certain areas and due to different methodologies, market definitions and modeling, the data on market sizes, projected growth rates and competitive position should be viewed with caution and may differ from other publications of the used sources or similar analyses by other market research companies or competitors. For example, our modeling of the size of the Relevant HoReCa and Trader Markets at sell-in value (purchase value) (as defined and explained further below) is primarily based on our respective assumptions of the percentage of cost of goods sold which is on average applicable for HoReCa and Trader businesses (*i.e.*, our customers and potential customers), and our modeling may differ from market modeling and assumptions by other entities. In addition, the modeling included in the Kantar TNS Report for the SCO Market is based on a survey based on interviews, which depend on the subjective views of the respondents and may thus differ from other models based on a different set of respondents or other information gathering tools. Moreover, the number of actual respondents among survey participants varies and in certain cases may not be as representative as a larger sample. Market sizes, market positions and market shares mentioned in the Prospectus are not necessarily based on the same type or level of detail of information across the different customer segments (*i.e.*, HoReCa, Trader and SCO, as defined below) and may not be fully comparable with other information mentioned in the Prospectus. Additional factors which should be considered in assessing the market and competitive data and, in particular, the projected growth rates, are described elsewhere in the Prospectus, including those set out in the sections entitled *1.* “*Risk Factors*”, *2.3.* “*General Information — Forward-Looking Statements*” and *8.2.* “*Management’s Discussion and Analysis of Net Assets, Financial Position and Results of Operations — Key Factors Affecting Results of Operations, Financial Position*”.

9.1. Introduction

Our business is carried out by two operating segments: the METRO Wholesale segment (which comprises our wholesale – warehouse and delivery – business) and the Real segment (which comprises our food retail business). Our METRO Wholesale segment focuses on serving B2B customers through our network of 751 warehouses as of March 31, 2017 in 25 key countries across four regions – Germany, the rest of Western Europe, Eastern Europe and Asia – as well as delivery services in these and ten further countries predominantly located in Asia. Besides Germany, we operate in Austria, Belgium, France, Italy, Portugal, the Netherlands and Spain in Western Europe (excluding Germany); Bulgaria, Croatia, the Czech Republic, Hungary, Kazakhstan, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Turkey and Ukraine in Eastern Europe; and China, India, Japan and Pakistan in Asia. In addition, our Real segment operates in food retail addressing individual retail customers (B2C) with a network of 282 hypermarkets in Germany (as of March 31, 2017).

In the METRO Wholesale segment, we operate our warehouses in the "cash & carry" format under the brands "METRO" and "makro". According to Planet Retail (definitions of retail terms; the term is referred to as "cash & carries" by Planet Retail in the subscription-based "Methodology" section of its website), the "**cash & carry**" format is defined as a membership-based wholesale format intended for resellers and commercial customers. In contrast to traditional wholesale operators (which typically deliver the goods to the customers, who pay on credit), cash & carry customers serve themselves in the warehouses as in a store and pay for their merchandise at the check-out. According to Planet Retail's data on 2016 sales of major cash & carry players worldwide, covered in Planet Retail's Database available from the subscription-based section of its website, we are the global market leader in cash & carry (self-service wholesale) (based on sales in EUR billion; for those companies where the financial year does not correspond with the calendar year, Planet Retail allocates data to the calendar year into which most of the financial year falls, *i.e.*, all data for the financial year ending up to June 30 will be allocated to the previous calendar year, and thereafter to the reference calendar year).

The cash & carry format is tailored to the business needs of many B2B customers: it offers a broad assortment of food and non-food products under one roof, available in large quantities and at attractive prices. Cash & carry stores typically have a large warehouse-style layout with advanced loading capabilities. Cash & carry operators maintain a distinctive value-added proposition, including one-stop-procurement and no minimum order quantity or value requirement, which allows B2B customers to simplify their procurement process and stock keeping without having to compromise on product quality. Cash & carry operators compete with a broad variety of different supply channels that may be used by B2B customers, such as producers, distributors, other wholesalers and general retailers (including traditional open-air markets).

Nowadays, many cash & carry operators (including the Group) also provide product delivery services as a further wholesale channel to serve their existing and potential B2B customers. Such delivery services are often dedicated to the foodservice industry. Given our focus on foodservice, we refer to our own delivery services within our METRO Wholesale segment as foodservice distribution, or FSD, although certain market sources define the term differently, for example, to refer to all channels serving the foodservice industry.

In our METRO Wholesale segment, we offer an assortment of both food and non-food products under the METRO brand (and in some countries under the makro brand, *i.e.*, in Belgium (where we also use the METRO brand), the Czech Republic, the Netherlands, Poland, Portugal and Spain) primarily for a heterogeneous set of **B2B customer groups**, *i.e.*, primarily small- and medium-sized businesses and individual entrepreneurs. We categorize our B2B customers into three groups:

- ***HoReCa***: Foodservice operators in the hospitality sector, such as hotel, restaurant and catering businesses, including hotels and other accommodation providers, restaurants, bars, cafes, pubs, coffee shops and fast food providers;
- ***Trader***: Primarily independent retail operators, often known as "neighborhood stores", such as generalist and specialist food retailers (including butcher shops and bakeries) that predominantly resell food and non-food products (including "near-food" products, as

defined under *9.2.4. "— Market Definitions and Methodology — German Grocery Retail"*) through their retail outlets, including grocery stores, street food traders, kiosks, convenience stores, forecourt stores (*i.e.*, gas/petrol stations), as well as small retail chains and wholesalers; and

- ***SCO***: Service providers, companies and offices, which comprise a wide variety of professional service providers (such as hairdressers, cleaning service providers, dry-cleaning companies), offices and institutions (such as schools, universities and hospitals).

A clear market demarcation between the HoReCa and Trader business is not always possible – as the Trader business is becoming increasingly indistinctive and incorporating elements of the HoReCa business, for example, bakers and butchers sometimes offer prepared food in the form of snacks "ready-to-eat". Similarly, there is no widely-used general definition for the SCO business. Moreover, we observe that (private) consumer channels are porous for professional demand and vice versa.

Our markets are not only segmented by regions but also by customers. We group the countries in which we operate into three categories, depending on our main customer focus in each country, in order to gear a tailored offering adapted to specific customer patterns and needs and best capture local market opportunities. This categorization comprises (i) the HoReCa-focused countries, which include Germany, France, Italy, Portugal, Spain, Turkey and Japan; (ii) the Trader-focused countries, which include Moldova, Poland, Romania and Ukraine; and (iii) the Multispecialist countries, which include Austria, Belgium, the Netherlands, Bulgaria, Croatia, the Czech Republic, Hungary, Kazakhstan, Russia, Serbia, Slovakia, China, India and Pakistan. This category (iii) comprises both developing markets, where we believe the level of specialization in the different customer market segments is not yet as pronounced as in the countries where we focus on a distinct customer group, and where we also believe we have a first-mover advantage, and smaller markets where no specific customer group shows a distinctive critical size. Thus, in this category we focus on all customer groups, using value proposition elements from both the HoReCa and the Trader markets.

In addition to our wholesale and foodservice operations, in our Real segment we operate 282 hypermarkets in Germany almost exclusively under the real,- brand (as of March 31, 2017). Hypermarkets are one of the formats competing in the German grocery retail market, *i.e.*, addressing individual retail customers (B2C), including both (i) large-scale retailing formats (hypermarkets, supermarkets and discounters), which are defined under *9.2.4. "— Market Definitions and Methodology — German Grocery Retail"* and (ii) smaller-scale retailers (*i.e.*, convenience stores, forecourt retailers, and so-called "traditional grocery retailers", which include independent small grocers, food/drink/tobacco specialists and other grocery retailers). Smaller-scale retailer channels are part of our Trader market definition relevant to our METRO Wholesale segment, as further described and defined under *9.2.2. "— Market Definitions and Methodology — Trader"*.

9.2. Market Definitions and Methodology

We base the following description of the markets most relevant for our business on the groups of customers we serve. We believe that this approach best captures our customer-focused Operating Model as described in section *10.2.4. "Business — Competitive Strengths —Local Empowerment Fostered by Our Operating Model with Focus on Local Value Creation and Successful Strategic Transformation"* of the Prospectus. For our METRO Wholesale segment, from a geographic perspective, the description comprises (i) for HoReCa and Trader, the 25 key countries mentioned above under *9.1. "— Introduction"* where we are present with warehouses (rather than delivery-only countries), (ii) for SCO, our five main countries (in terms of sales) in this market segment, namely Germany, Russia, Austria, the Czech Republic and China, and (iii) for our Real segment (hypermarkets), the German grocery retail market, our relevant market for such business.

The size of our relevant markets has been modeled based on the following definitions and assumptions, and using the following sources:

9.2.1. HoReCa Market and Relevant HoReCa Market

We base our definition of the total HoReCa Market (as defined below) on data on the consumer foodservice industry prepared by Euromonitor, especially in its "Passport" database. Euromonitor defines the "**consumer foodservice**" market as the market for meals and refreshments prepared and consumed outside the home, including full-service restaurants, fast food, cafés/bars, 100% home delivery/takeaway outlets, self-service cafeterias and street stalls/kiosks (source: Euromonitor, April 2017). The definition includes units in so-called "semi-captive" locations, such as lodging, leisure, travel and retail establishments, where due to contractual arrangements negotiated by the management, customers' choice of units is limited to some degree (for example, hotel lobby bars or fast food outlets in airports). This segment is typically referred to as the "**commercial foodservice**" market segment. On the other hand, outlets serving only "fully captive" populations, such as hospital patient cafeterias or private workplace cafeterias, which are typically referred to as "**social foodservice**", are excluded by Euromonitor.

The commercial foodservice market segment typically accounts for a significantly larger share of the foodservice market than the social foodservice market segment (including business and industry, education, healthcare, welfare and other social catering). For purposes of our analysis, we have only considered the commercial foodservice market segment in our respective countries, which is our area of core strategic focus and also the only segment covered in the industry data from Euromonitor relating to the consumer foodservice industry. In certain regions, the social foodservice segment also accounts for a substantial share of the overall foodservice market (for example, approximately 30% in each of Germany and France, as mentioned in the GiRA Deep-Dive French and German Foodservice Report). The commercial foodservice market includes both independent foodservice (which makes up the largest share of the total foodservice market) and chained foodservice.

For our assessment of our HoReCa relevant market we have used as a basis the Euromonitor Passport database for the consumer foodservice industry, which includes consumer foodservice data on a country level based on gross sell-out values (*i.e.*, values at retail sales prices to end-consumers including VAT/sales tax) for this market over several years. We have used the database for the years 2010 to 2016 (actual values), with forecast values until 2020. The values mentioned in the Prospectus which are derived from this Euromonitor Passport database are stated in current prices at fixed 2016 Euro currency exchange rates (whereby the database includes other options regarding the presentation of market values). We refer to this underlying market which is based on sell-out values for our 25 key countries as "**HoReCa Market**".

We have also assessed the HoReCa market that is relevant for us and which we define as the net sell-in value, representing the net purchase value from HoReCa businesses ("**Relevant HoReCa Market**") in products offered by us and other competitors serving HoReCa customers. Since there is no comprehensive third-party data available on our Relevant HoReCa Market at sell-in values, we have calculated the size of our Relevant HoReCa Market in the different countries based on the available data for the underlying HoReCa Market as well as available company information of certain major HoReCa companies in the markets in which we are present. In order to calculate the size of the Relevant HoReCa Market, we have used as a basis the gross sell-out value of the foodservice industry assessed by Euromonitor in its Passport database and (i) derived the net sell-out value, *i.e.*, gross sell-out price minus the VAT rate for each of the 25 key countries in which we operate with warehouses, and (ii) applied to it an assumed percentage of cost of goods sold ("**COGS**") incurred by HoReCa operators, *i.e.*, the ratio of purchases of raw materials and consumables (*i.e.,* purchases of both food and non-food products offered by us and competitors in the HoReCa Market) to such companies' respective revenues. The assumption we have used is 30% average COGS for HoReCa businesses across different regional markets (*i.e.*, as an average for the industry) and this has been applied at a constant 2016 Euro currency exchange rate for all years considered. We have validated our assumption using the available financial information for a considerable number of HoReCa companies over the past few years as well as other third-party sources. With this

calculation, we have assessed the market size of the Relevant HoReCa Market (*i.e.*, the supply market size of the HoReCa Market that is relevant for us) at net purchase value (sell-in). We consider that the CAGR that applies for the Relevant HoReCa Market correspond directly with the CAGR presented in the Euromonitor Passport database for the underlying consumer foodservice market at sell-out values for the countries relevant to us and shown in the Prospectus in our description of the HoReCa Market.

As we have used Euromonitor's definition of the consumer foodservice industry as a proxy for our Relevant HoReCa Market, our core Relevant HoReCa Market primarily relates to the commercial foodservice market segment. For relevant trends in the HoReCa Market we have used, in particular, the Euromonitor Trend Report. This covers, with respect to HoReCa ("foodservice" in the Euromonitor Trend Report) our 25 key countries plus – with respect to our (foodservice) delivery business – Hong Kong and Singapore. For the identification of key drivers, Euromonitor employed the regression analysis based on econometric modeling, searching through key globally available potentially predictive indicators (for example, GDP), in order to find the predictors that best explain foodservice (HoReCa) and Trader businesses. Such model is based on annualized data from Euromonitor's Passport series and underlying assumptions (such as stability of macro drivers), and has been performed at country level.

For some of our main HoReCa focus countries, namely Germany, France and Italy, we have used additional data from GiRa to provide further insights on selected regional markets where the data was available. For Germany and France, we have used the customized GiRA Deep-Dive French and German Foodservice Report. For information on the split of the Italian HoReCa Market by supply channel and the competitive environment in the Italian HoReCa Market, we have used data for 2014 extracted from the report "Foodservice Distribution in Italy – 2011, 2012, 2013, 2014", published by GiRa in November 2015 ("**GiRa Italian Foodservice Report**").

9.2.2. Trader Market and Relevant Trader Market

Our definition of the total Trader market includes convenience stores, forecourt stores and traditional grocery retailers according to Euromonitor's retail industry definitions. Other grocery retailers such as hypermarkets, supermarkets and discounters are not included as part of the trader segment we focus on.

Euromonitor's Passport series for the retailing industry defines **convenience stores** as chained grocery retail outlets selling a wide range of groceries and fitting several of the following characteristics: extended opening hours; net selling space of less than 400 sqm; located in residential neighborhoods; and handling at least two of the following categories: (i) audio-visual goods for sale or rent, (ii) take-away food, (iii) newspapers or magazines, (iv) cut flowers or pot plants, (v) greeting cards. **Forecourt retailers** are defined by the same source as grocery retail outlets selling a wide range of groceries (*i.e.*, more than just fuel and auto parts and accessories) from a gas station forecourt and fitting several of the following characteristics: extended opening hours; net selling space of less than 400 sqm; handling at least two of the following categories: (i) audio-visual goods for sale or rent, (ii) take-away food, (iii) newspapers or magazines, (iv) cut flowers or pot plants, (v) greeting cards; (vi) automotive accessories. Revenues for gas sales are not considered for these purposes. Forecourt retailers may be chained or independent. Furthermore, for Euromonitor, **traditional grocery retailing** includes independent small grocers (mainly family-owned retail outlets selling a wide range of predominantly grocery products; they are usually not chained or, if chained, have fewer than ten outlets), food/drink/tobacco specialists (outlets focusing on mainly one category of food – such as bakers, butchers, fishmongers and chocolatiers –, drinks stores and tobacconists) as well as other grocery retailers (which sell predominantly food, beverages and tobacco or a combination of these, such as kiosks, health food stores, food & drink souvenir stores and regional specialty stores).

Similar to the approach described above for the HoReCa Market, we have used data from Euromonitor's Passport database on a country level for the above-mentioned trader outlets based on net sell-out values (*i.e.*, values at retail sales prices to end-consumers excluding VAT/ sales tax) over several years. We have used the database for the years 2010 to 2016 (actual values), with forecast values until 2020. The values mentioned in the Prospectus which are derived from this Euromonitor Passport database are stated in current prices at fixed 2016

Euro currency exchange rates (whereby the database includes other options regarding the presentation of market values). We refer to this underlying aggregation of certain trader channels according to our definition and based on sell-out values as "**Trader Market**". We have then assessed the size of the Trader market that is relevant for us and which we define as the net sell-in value, representing the net purchase value from Traders ("**Relevant Trader Market**") in products offered by us and other competitors serving Trader customers in the different countries. We have based our assessment on the available data for the underlying Trader Market from Euromonitor as well as data published by other industry specialists, including the "Cost Barometer 2015" issued by the United Kingdom's Association of Convenience Stores, data from the German Association of Gas Stations, the report by Deloitte in co-operation with the China Chain Store and Franchise Association entitled "China Power of Retailing 2015", available company information of certain major Trader companies in the 25 key markets in which we are present with warehouses, and statistical data and analysis enabling the calculation of grocery retail COGS for a large number of countries as well as reports on the retail industry. Based on the net sell-out values for convenience stores, forecourt retailers and traditional grocery retailers (which together make up the Trader Market, as defined above) available from Euromonitor's Passport database, we have calculated the size of our Relevant Trader Market at sell-in (purchase) value by applying to the net sell-out value an assumed percentage of COGS incurred by grocery retail companies of 80% (average across different regional markets). We have validated our assumption using the available financial information for several Trader companies (for example, major multinational grocery retailers, convenience store chains and medium, small and single convenience formats) as well as various other third-party sources over the past few years. With this calculation, we have assessed the market size of the Relevant Trader Market in each relevant country at net purchase value (sell-in). We consider that the CAGRs that apply for the Relevant Trader Market correspond directly with the CAGRs presented in the Euromonitor Passport database for the underlying three trader categories at sell-out values for the countries relevant to us and shown in the Prospectus in our description of the Trader Market.

For relevant trends in the Trader Market we have used, in particular, the Euromonitor Trend Report. This covers, with respect to the Trader Market (*i.e.,* the retail channels considered above, as considered in the Euromonitor Trend Report) 24 of our 25 key countries (*i.e.*, Moldova was not considered). For more information on the methodology used in the Euromonitor Trend Report, see the information thereon contained in *9.2.1.* "*— HoReCa Market and Relevant HoReCa Market*", which also applies to the Trader drivers identified in such report.

9.2.3. SCO Market

Our description of the SCO market, *i.e.*, the market relating to our SCO customers, as these are defined under *"9.1. — Introduction"* (the "**SCO Market**"), is based on our market observations and on the Kantar TNS Report. SCO customers comprise a broad variety of businesses, both in terms of type and size, operating in a wide range of industries. Typical examples of SCO customers are service providers such as cleaning services, dry-cleaning companies, hairdressers and doctors, office-based companies, public administration offices, schools, universities and hospitals. These entities have a non-uniform demand for both core and general business needs in various product categories. In the Kantar TNS Report, the SCO Market's size was assessed based on expenses (spending) of SCO companies in four common needs areas identified by the Group and for which we believe, based on an analysis of actual internal SCO sales data, that the degree of overlap among all types of SCO companies is the highest despite their in general non-uniform demand. The four common needs surveyed by Kantar TNS are: (i) office material/stationery, which includes office supplies (for example, printer paper) and office furnishings, such as furniture, technical devices like IT hardware (for example, laptops, computers, printers), photocopiers and telephones, (ii) cleaning & hygiene, which includes cleaning supplies as well as cleaning equipment like wipers, cleaning buckets, cleaning trolleys and hygiene items like soap and paper towels for washrooms, (iii) pantry, which includes sub-categories such as food and equipment for office kitchens/kitchenettes as well as company events (*i.e.*, spending on food, beverages, disposable dinnerware, decoration and other items in connection with events and celebrations the company has organized itself), and (iv) welfare, which includes gifts that companies give to employees, business partners and/or customers, but excludes promotional items made especially for the company.

For the Kantar TNS Report, Kantar TNS used as basis for the SCO Market the customer-based definition of the market used by the Group. From a geographic perspective, the SCO Market as assessed in the Kantar TNS Report and as described further below is based on five select countries which are particularly important to our SCO business in terms of sales, namely Germany, Russia, Austria, the Czech Republic and China. In the financial year 2015/2016, these five countries accounted for more than half of our total SCO sales. Market values shown represent expenses either for the last full calendar year at the time of the survey (*i.e.*, 2015) or the respective last financial year of the surveyed companies for which data was available at the time the survey was carried out, in EUR billion. For the currencies of the Czech Republic, Russia and China, the following average conversion rates for 2015 based on the publications by the European Central Bank on its website and calculated as described under *2.4 "General Information — Information from Third Parties*" were used: 1 EUR = 27.28323 CZK, 1 EUR = 67.97633 RUB and 1 EUR = 6.97463 CNY. The SCO Market size as assessed in the Kantar TNS Report is based on a computer assisted telephone interview (CATI) survey conducted by Kantar TNS in the above-mentioned countries among SCO businesses between September and November 2016. The base consisted of 1,600 interviews in Germany, 1,613 interviews in Russia, 1,201 interviews in Austria, 1,202 interviews in the Czech Republic and 1,198 interviews in China. The information on market positions and the extrapolated market shares were assessed in the Kantar TNS Report based on the number of unprompted "top-of-mind" (top 3) mentions of the providers used by the surveyed companies for purchases in the respective needs category either in the last full calendar year at the time of the survey (*i.e.*, 2015) or the respective last financial year for which data was available at the time the survey was conducted (whereby the Kantar TNS Report also contains other assessments for the market shares of the Group based on a mixture of both unprompted and prompted mentions).

9.2.4. German Grocery Retail Market

With our 282 hypermarkets in Germany primarily run under the real,- brand (as of March 31, 2017), we are active in the German grocery retail market. For the description of this market we have used data from GfK SE, Nuremberg, Germany ("**GfK**"), in particular, the database for its Total Shopper Panel relating to the fast moving consumer goods ("**FMCG**") and non-food market segments in Germany ("**GfK Panel Data**") with respect to the competitive environment. With respect to market size and past development, we have used data derived from a report entitled "*Trends, die tragen – Treiber einer erfolgreichen Markenführung*" prepared by GfK and GfK Verein, Nuremberg, Germany, and published in January 2017 ("**GfK Market Drivers Report**"), for the grocery retail formats hypermarkets, supermarkets and discounters (but excluding specialty retailers and drugstores) (*i.e.*, for the large-scale retailing formats as defined under *9.1 "— Introduction"*), including FMCG but excluding non-food (hard goods such as, for example, consumer electronics, furniture or apparel). FMCG as defined by GfK for its Panel series includes several food and beverage categories, as well as near-food (as defined below) categories. Market data is presented in the GfK Panel Data and the GfK Market Drivers Report in terms of current value, in EUR, using retail sales prices including VAT/sales tax.

For a description of the German grocery retail market by supply format (hypermarkets, large supermarkets, other supermarkets, discounters and other retailers), we have used data published by EHI Retail in May 2017 for the German grocery retail market (based on organized grocery retailers without specialists, based on total revenues (including both food – which includes beverages – and non-food revenues) excluding VAT). The data on assortment by format is taken from EHI Retail's supply data for 2016, published in May 2017, and includes both food and near-food (as defined below).

According to the definitions used by EHI Retail Institute GmbH, Cologne, Germany ("**EHI Retail**"), for the German grocery retail market, **hypermarkets** are retail outlets with a selling space of at least 5,000 sqm and with an offering comprising a full assortment of **food** (which includes beverages; typical food categories are fresh products, frozen products and dry goods) as well as drugstore items, cleaning products and detergents ("**non-food I**", which we and other sources, such as the GfK Panel Data refer to as "**near-food**"), and a comprehensive offering of consumer goods addressing short-, mid- or long-term needs, such as clothes, shoes, gardening items, entertainment electronic items, large electronic appliances, books and press

items ("**non-food II**", which we and other sources, such as the GfK Panel Data refer to as "non-food"). The same source defines **large supermarkets** as retail outlets with a selling space between 2,500 and 5,000 sqm, carrying a full assortment of food as well as non-food I and non-food II articles, while (other) **supermarkets** are defined as retail outlets with a selling space of between 400 and 2,500 sqm selling a full assortment of food and non-food I articles, and having a limited selling space share of non-food II articles. **Discounters** are defined by EHI Retail as retail outlets typically with a selling space below 1,000 sqm selling exclusively under self-service conditions a limited range of strong-selling food and non-food I products as well as a changing assortment of selected products offered in connection with short-term special offers with a focus on non-food II products.

9.3. Key Growth Drivers in Our Markets and End-Markets

We believe that the following factors drive and are expected to continue to drive growth and to shape the markets and end-markets we serve:

- ***Economic growth, increasing population, urbanization, growing personal income and other demographic trends***: According to the Euromonitor Trend Report, economic growth (in terms of GDP) in the countries covered in such report (see *9.2.1.* "*— Market Definitions and Methodology — HoReCa Market and Relevant HoReCa Market*" and *9.2.2.* "*— Market Definitions and Methodology — Trader Market and Relevant Trader Market*") contributes to positive performance in such HoReCa Markets (taken together), while also spending growth in the Trader Market is driven by GDP growth. An increase of the total population and higher employment levels also contribute to growth both in the HoReCa and the Trader Markets. With improving consumer confidence, there is a rise in consumer discretionary spending, including spending on foodservice, according to the same source. Increasing urbanization as well as increasing traveling (*e.g.*, global tourism and business traveling) contribute to growing foodservice demand and lead to an increasing level of out-of-home consumption (for example, consumption in restaurants, cafés, bars, hotels, etc.), especially in tourist areas, commercial centers and urban areas. This is why Megacities are particularly important for our business: we are currently present in 29 Megacities predominantly in Europe and Asia. According to the Euromonitor Trend Report, an increasing urban population share in the total population also supports the popularity of convenience stores and forecourt retailers. In addition, according to the same source, consumers (especially the older generation) in urban areas tend to shop more frequently and in smaller amounts. They also prefer nearby shops, as they offer all necessities (or have options for goods to be delivered there) rather than drive to large supermarkets during busy hours. According to the Euromonitor Trend Report, the future growth of foodservice demand over the forecast period (until 2020) is in particular expected to derive from the persistence of the habit of eating out. An increase in disposable personal income also tends to result in a growing demand for high-quality products and a rise in consumer spending, including on modern retailing.
- ***Increasing employment, working hours and a busier lifestyle***: Increasing employment, working hours and busier lifestyles are leading to an increasing demand for top-up shopping (*i.e.*, grocery shopping trips made to fill gaps or supplement main grocery shopping trips) and "on-the-go" shopping. This development, in turn, leads to an increasing demand for convenience retailers, which is another driver for the Trader segment. The Euromonitor Trend Report expects that busy consumers will increasingly seek quick and convenient shopping in the 2016-2020 forecast period, and will prefer store formats that are easy to navigate through and that have extended opening hours, and with online shopping also as an alternative. In addition, the Euromonitor Trend Report forecasts that spending on eating out will increase considerably in the next few years and the consumer habit of eating out will remain the strongest growth contributor in the 2016-2020 period.
- ***Digitalization/The Connected Customer***: Digitalization and online shopping have changed – and continue to shape – the way customers make purchases and interact with their preferred brands or retailers by using social media platforms. In addition, mobile devices have also become more important for customers to help make a product buying decision (for example, by conducting online research while in stores) (source: think with Google,

"New Research Shows How Digital Connects Shoppers to Local Stores"; October 2014 and "How Micro-Moments Are Changing the Rules", April 2015; both available under http://www.thinkwithgoogle.com), or to check product availability before going to the store (which 60% of the customers in a study – "Shoppers disrupted: Retailing through the noise" – released by the IBM Institute for Business Value in 2015 considered important). According to the Euromonitor Trend Report, technological development results in further foodservice expansion (relevant for our HoReCa business), for example, by an increasing number of orders received over the Internet. To address these trends, we have introduced new digital solutions to enhance our customers' efficiency, thus making them more attractive and successful businesses. Such solutions include the investment in Culinary Agents (a networking and job matching site for food, beverage and hospitality professionals) and the launch of the "METRO Accelerator powered by Techstars" (a highly selective mentorship program for digital and technology startups across the entire value chain of hospitality and food tech) within our wholesale and foodservice business and multi-channel solutions in our Real retail business in Germany.

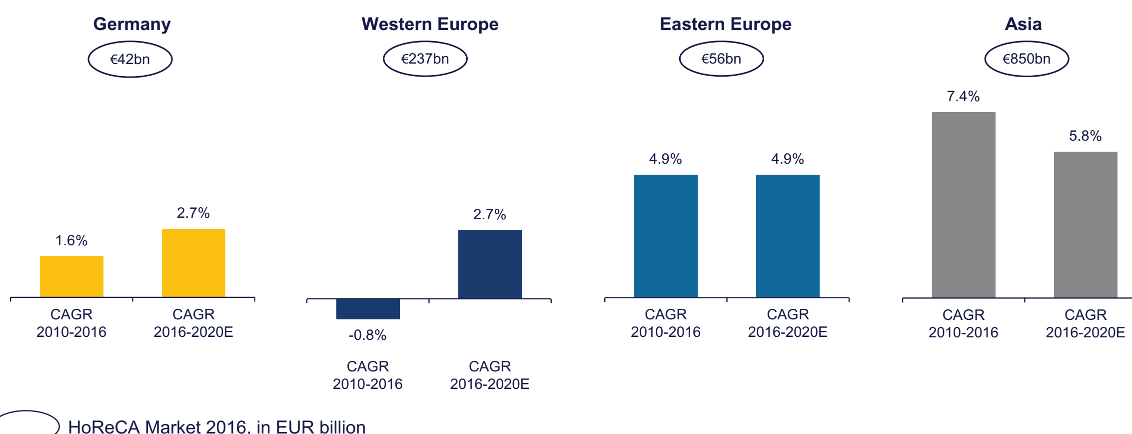
- ***Sustainability***: In many countries an increasing focus on organic and fair trade food and non-food products can be observed. Having a small carbon-dioxide footprint is becoming more important as a differentiating factor from other competitors. As consumers increasingly factor in economic, environmental and social aspects in their purchase decisions, retailers will have to adapt their business strategy accordingly (source: KPMG AG Wirtschaftsprüfungsgesellschaft/EHI Retail: Consumer Markets, Trends im Handel 2020). To address this trend, we have, for example, developed and implemented certain guidelines for sustainable purchasing.

9.4. The HoReCa Market and Our Relevant HoReCa Market

9.4.1. Market Development and Key Growth Drivers and Trends

The following chart shows the size in 2016 and the development (in terms of CAGR) of the HoReCa Market (at gross sell-out values, and as defined above) according to the Euromonitor Passport database in the 25 key countries in which we operate with warehouses, grouped by our regions:

The HoReCa Market, by region



Source: Euromonitor Passport database. This market assessment includes commercial (independent and chained) foodservice market segment in our 25 key countries according to Euromonitor, at gross sell-out values (based on retail sales prices to end-consumers including VAT/sales tax; market size for 2016 and growth rates in current prices and fixed 2016 EUR rates). The countries were grouped in the regions defined by us, as described under *9.1. "— Introduction"*.

According to Euromonitor's Passport database for consumer foodservice (*i.e.*, the commercial foodservice market segment), the HoReCa Market in our 25 key countries is expected to continue growing in all of our regions during the 2016-2020 period, as shown in the chart above. Growth is expected to come mostly from our Asian and Eastern European regional markets (with an aggregate CAGR of 5.8% and 4.9%, respectively, for the 2016-2020 period, after a growth rate of 7.4% and 4.9%, respectively, during the 2010-2016 period, according to Euromonitor). Euromonitor expects Germany and our other Western European markets to

grow at a CAGR of 2.7% each over the 2016-2020 period, following a slower development during the 2010-2016 period (CAGRs of 1.6% for Germany and -0.8% for Western Europe (excluding Germany)). While the German HoReCa market was estimated at EUR 42 billion in 2016, within Western Europe, the French HoReCa Market was estimated at EUR 49 billion and the Italian HoReCa Market at EUR 73 billion in the same year (in all cases, according to the Euromonitor Passport database, gross sell-out values for the commercial consumer foodservice market in France and Italy, respectively, which corresponds to our definition of HoReCa Market). According to the same source, the French HoReCa Market remained mostly flat in terms of CAGR of the 2010-2016 period, but is expected to grow at a CAGR of 1.3% over the 2016-2020 period, while the Italian HoReCa Market slightly contracted during the 2010-2016 period (CAGR: -0.9%), but is expected to moderately grow at a CAGR of 0.8% over the 2016-2020 period. As previously mentioned, Germany, France and Italy are classified by the Group as HoReCa-focused countries, see *9.1. "—Introduction*".

With regards to the commercial foodservice customer type market segments, the independent foodservice sector makes up for the largest share of the total HoReCa Market in our key 25 countries in terms of value, approximately 83% in 2016, and Euromonitor expects this market segment to grow during the 2016-2020 period at a CAGR of 5.0% (source: Euromonitor Passport database). The same source expects the chained commercial foodservice sector (which accounted for the remaining 17% of the total HoReCa Market in our 25 key countries in 2016) to grow at the same CAGR of 5.0% during the 2016-2020 period.

We have estimated the corresponding market sizes of our Relevant HoReCa Market for 2016 at sell-in (purchase) value based on the HoReCa Market using the methodology explained under *9.2.1. "— Market Definitions and Methodology — HoReCa Market and Relevant HoReCa Market"* for the different regions as follows: Germany: EUR 11 billion; Western Europe (excluding Germany): EUR 64 billion; Eastern Europe: EUR 14 billion and Asia: EUR 241 billion. We estimate growth rates for the Relevant HoReCa Market that correlate with the growth rates for the underlying HoReCa Market (*i.e.*, consumer foodservice at gross sell-out values, as assessed in the Euromonitor Passport database for the countries herein considered) for both the 2010-2016 and the 2016-2020 periods. The same applies to the share of independent and chained commercial foodservice shown above and its expected development according to the Euromonitor database, which we also apply to our Relevant HoReCa Market in the same proportion.

We believe that Germany and our other Western European countries are large consumer markets with growth potential, as shown above. Key growth drivers for the HoReCa Market identified by Euromonitor in the Euromonitor Trend Report for the markets in which we operate include increasing out-of-home consumption (eating out as a habit), driven by favorable macro conditions such as demographic growth and higher income, urbanization, tourism – both domestic and in terms of inbound arrivals – and increasing travel as well as the growing trend toward convenience. We believe that these patterns shall contribute to a large, attractive and growing end-user sell-out HoReCa Market, which typically would result in growth in our Relevant HoReCa Market (*i.e.*, sell-in market – higher purchases from HoReCa customers).

9.4.2. Competitive Environment

We believe – based on data from GiRa and our own market assessment – that we have leadership positions in some of our main HoReCa-focused markets, namely France, Germany and Italy, in terms of sales. All market shares below for such select countries (to serve as select examples and also due to data availability) are in terms of sales, in EUR, of B2B players (wholesalers and distributors, including the Group, but excluding retailers and producers with direct delivery) serving the respective HoReCa Market (for both the commercial and social foodservice market segments, as assessed by GiRa, which uses a market definition that differs in certain respects from that used by Euromonitor as cited in section *9.4.1. "— The HoReCa Market and Our Relevant HoReCa Market — Market Development and Key Growth Drivers and Trends*"), for 2015 for France and Germany, as assessed in the GiRa Deep-Dive French and German Foodservice Report, and for 2014 (the latest available data) for Italy, as assessed in the GiRa Italian Foodservice Report. We also believe that we hold a strong market position in most of our other HoReCa-focused countries based on our most recently available internal assessment of sales for the respective countries.

In *France*, the top five players in the B2B foodservice wholesale supply market segment (*i.e.*, wholesalers and distributors, including the Group, but excluding retailers and producers with direct delivery) had an aggregate market share of approximately 41% in 2015. We ranked first, with a market share of approximately 13% of the B2B foodservice wholesale supply market segment in 2015 (excluding Pro à Pro, which we acquired in February 2017, which itself had a market share of approximately 3% in 2015, according to the same source). The other largest B2B players include (in alphabetical order) the Brakes Group, Kent, United Kingdom; C10, a network of around 185 adhered wholesalers of beverages in France, based in Clichy; Groupe Pomona, Antony, France; and Transgourmet, Basel, Switzerland ("**Transgourmet**"). We believe that the acquisition of Pro à Pro, a major wholesale delivery business in France, strengthened our overall market position, and in particular our market position in the delivery segment of the French HoReCa market. In terms of channels, the French B2B wholesale channel accounted on aggregate for approximately 78% of the total foodservice supply market in 2015 (including both the commercial and social segment, according to GiRa's definition), of which wholesale delivery accounted for approximately 60%, cash & carry approximately 12% and logistics providers (also delivery), approximately 6%. The remaining portion of the total foodservice supply market (approximately 22%) can be split into retailers (approximately 11%) and direct sales from producers (approximately 11%). On aggregate, delivery accounts for approximately two-thirds of the total French foodservice supply market (based on 2015 figures) (source: GiRA Deep-Dive French and German Foodservice Report).

In *Germany*, the top five players in the B2B foodservice wholesale supply market segment had an aggregate market share of approximately 43% in 2015. We ranked third, with a market share of approximately 8% (excluding Rungis express AG and its affiliates, Meckenheim, Germany ("**Rungis express group**"), which we acquired in February 2016). The other largest B2B players are (in alphabetical order) Arbeitsgemeinschaft Freier Molkereiprodukte Großhändler e.G., Frankfurt am Main, Germany ("**AFMO**"), a co-operative association of independent wholesalers; CHEFS CULINAR GmbH & Co. KG, Kiel, Germany; INTERGAST GV-Service Handelsgesellschaft mbH, Offenburg, Germany; and Transgourmet. We believe that our 2016 acquisition of Rungis express group, a German food supplier in the "premium" segment of the foodservice market, strengthens our position in delivery, which we consider to be a growth driver, in addition to our core competence in the warehouse channel. The total German foodservice supply market can be broken down by supply channel as follows: wholesale delivery (approximately 57%), cash & carry (approximately 19%) and logistics providers (also delivery, approximately 5%) (on aggregate these B2B wholesale supply channels account for approximately 81% of the total German foodservice supply market), as well as direct sales from producers (approximately 10%) and retailers (approximately 9%) (source: GiRA Deep-Dive French and German Foodservice Report; data for 2015; GiRa's definition includes both the commercial and social segment of the foodservice market).

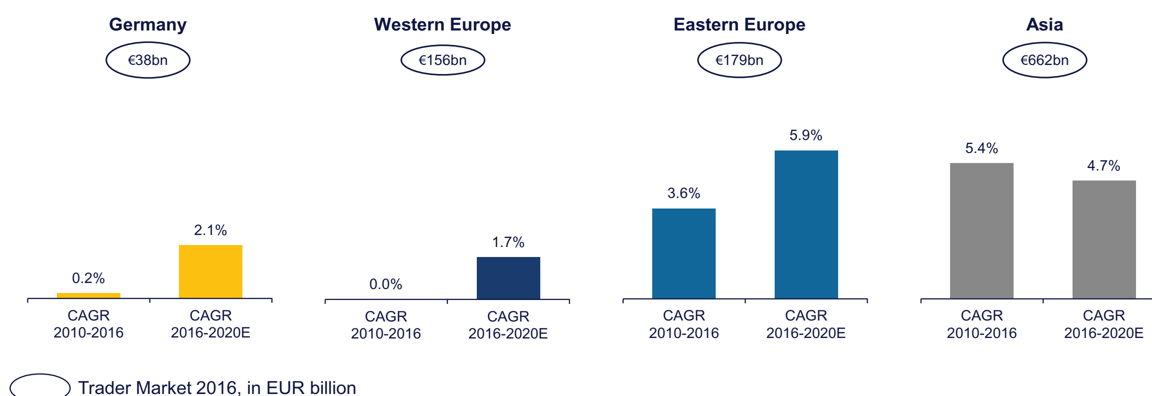
The competitive environment in *Italy* is more fragmented, with the largest five players holding, on aggregate, a market share of approximately 23% of the B2B foodservice wholesale supply market segment in 2014. We ranked second, with a market share of approximately 5%. The other largest foodservice wholesalers and distributors include (in alphabetical order) Cateringross, a co-operative association of around 50 wholesalers servicing the foodservice market, based in Bologna, Italy; CDA (Consorzio Distributori Alimentari), an association of around 100 beverage distribution companies, based in Agrate Brianza, Italy; Marr SpA, Rimini, Italy, and U.DI.AL. (Unione Distributori Alimentari), an association of over 250 members specialized on beverages serving the foodservice market based in Francavilla Fontana, Italy. The Italian HoReCa Market is one of the largest in Western Europe, largely composed of independent businesses. The supply in the Italian HoReCa Market is characterized by a high share of delivery: GiRa estimates that delivery accounted for 59% of the total Italian HoReCa Market in 2014 (source: GiRa Italian Foodservice Report; split of HoReCa supply channel shares based on market at sell-in values; includes grocery products, fresh/chilled products, frozen food & ice cream and beverages), thereof 56% relating to wholesale delivery and the remaining 3% to logistics providers. The remaining sourcing channels represented 12% (cash & carry), 23% (direct delivery from producers) and 7% (retail).

9.5. The Trader Market and Our Relevant Trader Market

9.5.1. Market Development and Key Growth Drivers and Trends

The following chart shows the size in 2016 and the development (in terms of CAGR) of the Trader Market (at net sell-out values, and as defined above) according to the Euromonitor Passport database in the 25 key countries in which we operate with warehouses, grouped by our regions:

The Trader Market, by region



Source: Euromonitor Passport database. The market assessment includes the convenience stores, forecourt retailers, and traditional grocery retailer channels in our 25 key countries according to Euromonitor, at net sell-out values (based on retail sales prices to end-consumers excluding VAT/sales tax; market sizes for 2016 and growth rates in current prices and fixed 2016 EUR rates). The countries were grouped in the regions defined by us, as described under *9.1.* "*— Introduction*".

According to Euromonitor's Passport database, the Trader Market in our 25 key countries is expected to grow across all of our regions during the 2016-2020 period, as shown in the chart above. Growth is expected to come mostly from our Easter European countries (with an expected aggregate CAGR of 5.9% during the 2016-2020 period, following a 3.6% CAGR over the 2010-2016 period) and from our Asian regional markets (with an expected aggregate CAGR of 4.7% for the 2016-2020 period, after a CAGR of 5.4% during the 2010-2016 period). Euromonitor expects Germany and Western Europe, which are more mature markets, to grow at CAGRs of 2.1% and 1.7%, respectively, over the 2016-2020 period, after CAGRs of 0.2% and 0.0%, respectively, during the 2010-2016 period. Eastern Europe includes diverse markets such as the Romanian Trader Market (estimated by Euromonitor at EUR 10 billion in 2016) and the large (EUR 65 billion in 2016, according to the same source) but fragmented Trader Market in Russia, which is expected to grow at a strong CAGR of 6.5% over the 2016-2020 period driven, in particular, by growth in the market segment relating to convenience formats (aggregation of convenience stores and forecourt retailers according to the Euromonitor Passport database), which is forecast to grow at CAGR of 12.6% between 2016 and 2020, compared to 4.2% for traditional grocery retailers in the same period. While large modern retailers represented a share of 54% of the Russian grocery retail market (in terms of sell-out value), which market amounted to approximately EUR 142 billion in 2016, such large modern grocery retailers are expected to grow at a CAGR of 9.6% over the 2016-2020 period (source: Euromonitor Passport database).

We have estimated the corresponding market sizes of our Relevant Trader Market for 2016 at sell-in (purchase) value based on the Trader Market using the methodology explained under *9.2.2.* "*— Market Definitions and Methodology — Trader Market and Relevant Trader Market*" for the different regions as follows: Germany: EUR 31 billion; Western Europe (excluding Germany): EUR 125 billion; Eastern Europe: EUR 143 billion and Asia: EUR 529 billion. We estimate growth rates for the Relevant Trader Market that correlate with the growth rates for the underlying Trader Market as defined by us (at net sell-out values, with figures from the Euromonitor Passport database for the channels and countries herein considered) for both the 2010-2016 and the 2016-2020 periods.

As key drivers for the expected growth, Euromonitor sees trends such as growing population, increasing income and higher spending, busy consumers with longer working hours and busier

lifestyles, urbanization, customer needs in connection with quick and convenient shopping and certain loyal consumers, who are important for traditional retailers that generally offer specialty products as well as local or unique products and thus remain popular among consumers with particular tastes and preferences (source: Euromonitor Trend Report). We believe that these trends will increase demand for convenience retailers, and that, as the market matures, such retailers will increasingly develop from unorganized (*i.e.*, independent retailers, in particular, in the traditional grocery retailers' segment, which is highly fragmented) to organized, professional convenience stores which contribute to drive the Trader segment, which we expect will increase the potential for franchise chains to further penetrate the Trader Market.

9.5.2. Competitive Environment

The competitive environment in our respective regional Trader Markets varies in each country. The environment is typically highly fragmented and characterized by a variety of local and regional players. In general, we compete in the supply of the Trader Market with players operating in different types of channels. Such channels include, for example, producers, distributors, wholesalers (with and without delivery), cash & carry operators and retailers.

We believe that producers sometimes sell their goods directly to Traders. However, due to Traders' more limited scale in most cases, it is more common that Traders buy from distributors rather than buying directly from producers. Distributors are either subsidiaries of (global) brands or the officially licensed distribution companies for certain brands (for example, Coca Cola, Unilever, Procter & Gamble). The official license to distribute a brand's products often grants exclusivity (*i.e.*, the exclusive right to sell a brand to re-sellers in a country or parts of a country). As is the case for producers, the assortment offered by distributors is often limited to products of a certain brand or to certain categories. The wholesalers segment includes companies that offer supply with or without delivery. However, wholesalers generally require a certain level of organization and densification in order to offer delivery services, which is usually not the case with independent traders or retailers. An example of a wholesaler with delivery services is Lekkerland AG & Co. KG, Frechen, Germany. In contrast, there are wholesalers that predominantly offer goods without delivery. Depending on the region and country, such wholesalers are sometimes located in wholesale parks (for example, Doraly in Bucharest, Romania). Wholesalers located within wholesale parks are, to our knowledge, typically specialized on certain product categories or also on certain brands and, in certain cases, tend to operate their business in a more informal way compared with other channels, according to our observations. The cash & carry channel represents an important supply channel for Traders in many regions and countries. Compared with distributors and wholesalers, the cash & carry channel usually offers a broader selection of merchandise of different brands across a broad variety of product categories. Although the cash & carry format is very common, there are relatively few cash & carry operators with nationwide operations and therefore there are only a few countries where we face competition from other nationwide operating cash & carry players. Examples of other national cash & carry operators are Selgros (member of Transgourmet; with operations in Germany, Poland, Romania and Russia) or Eurocash (Poland). We face less competition from international cash & carry operators, which (with the exception of Selgros) are rather rare. Next to the channels described above, traders also use the retail channel for purchasing their goods.

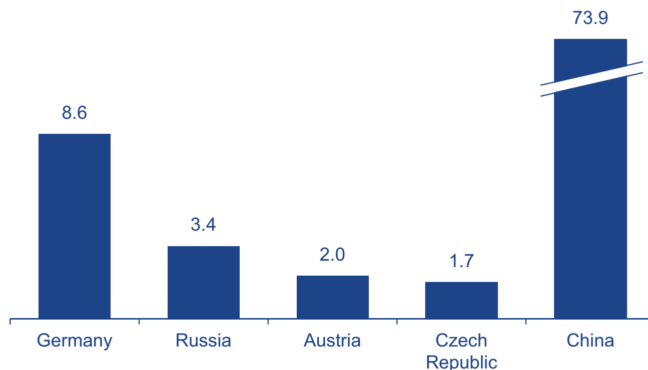
Since the supply in the Trader Market is generally highly fragmented and we believe that, depending on region and country, a certain share of the supply is sourced using informal channels, we lack sufficient information in order to assess our or our competitors' market position.

9.6. The SCO Market

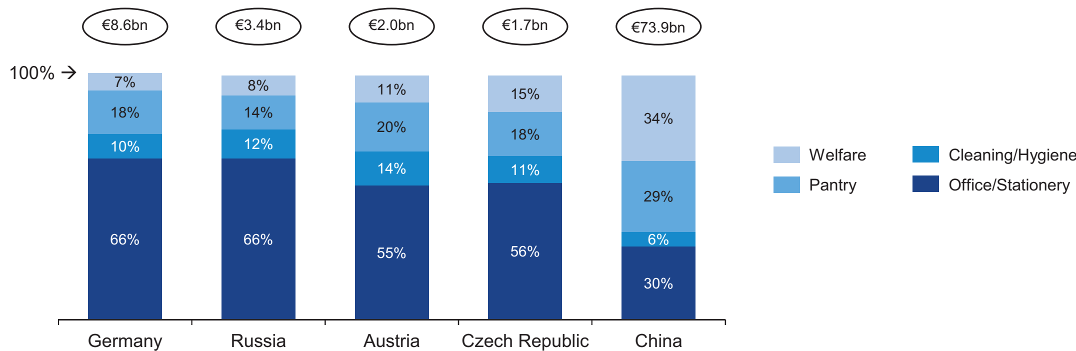
9.6.1. Market Development and Key Growth Drivers and Trends

The following charts show the size of the SCO Market, as assessed in the Kantar TNS Report, based on certain common general business needs identified and surveyed therein, in the five select countries most relevant to our SCO business, as well as a split by such main common needs of SCO customers (as identified by the Group) within each country:

SCO Market in Select Countries (in EUR billion)



SCO Market in Select Countries (in EUR billion), split by needs (in %)



Source: Kantar TNS Report. Market size based on expenses by surveyed SCO companies on product categories pertaining to certain common needs which have been identified by the Group and surveyed by Kantar TNS in the report. The expenses relate either to the last calendar year at the time of the survey (*i.e.*, 2015) or the last financial year of the respective surveyed companies for which data was available at the time the survey was conducted (September-November 2016). For more information, including methodology and conversion of foreign currencies into Euro, see *9.2.3. "— Market Definitions and Methodology — SCO Market*". In the second chart, needs are shown in each country as a percentage of the total SCO Market in the respective country.

We observe that the development of the SCO Market in the five countries mentioned above typically shows a broad correlation with the economic development (*i.e.*, GDP development). In general terms, in times characterized by a positive development of general economic conditions in a given country more new businesses are founded, whereas less insolvencies occur, in particular, regarding small and medium sized enterprises ("**SMEs**") which typically represent SCO businesses.

The SCO Market also shows a certain correlation with the general retail market development in the respective countries. Based on the results of the Kantar TNS Report, we believe that the retail channel is particularly relevant for SCO businesses as a supply channel to cover demand for their business needs – more so than for HoReCa and Trader businesses, according to our observations –, since SCO businesses typically lack the required scale to buy directly from producers, distributors or wholesalers. This explains the relatively high fragmentation of the SCO Market.

The ease of doing business in a particular jurisdiction, mostly in terms of the regulatory burden, also plays an important role in the development of the SCO Market, as explained in the World Bank's report "Doing Business 2017: Equal Opportunity for All". This report highlights the importance of clear and coherent rules for the development of economic activity, in particular,

in the private sector, including rules that enhance the predictability of economic interactions, a business registration system that is efficient and available to all, etc. While onerous regulation diverts the energies of entrepreneurs away from developing their businesses, regulation that is efficient, transparent and implemented in a simple way facilitates business expansion and innovation, and makes it easier for aspiring entrepreneurs to compete on an equal footing. According to the same report, OECD high-income economies have on average the most business-friendly regulatory systems, followed by Europe and Central Asia (whereby there are large variations within those two regions). From the 190 economies surveyed in the report, our five main SCO countries ranked 17th (Germany), 19th (Austria), 27th (Czech Republic), 40th (Russia) and 78th (China, excluding Hong Kong (4th place) and Taiwan (11th place), which were analyzed separately). The rankings are benchmarked in the World Bank report to June 2016 and based on the average of each economy's distance to "frontier" scores for 10 topics included in the current year's aggregate ranking according to World Bank methodology, the "frontier" representing the best performance observed on each of the indicators across all economies in the World Bank's "Doing Business" sample since 2005 or the third year in which data were collected for the indicator.

9.6.2. Competitive Environment

According to the Kantar TNS Report, we held leading positions (*i.e.*, market positions where we ranked first, second or third, based on unprompted "top-of-mind" (top 3) mentions, as explained further below) in four of the five countries most relevant to our SCO business for the four common needs surveyed (considered on aggregate):

In Germany, the top five players serving the SCO Market had an aggregate share of approximately 21% in 2015. We ranked third, with a market share of approximately 4%. Due to the low level of market consolidation, we compete across all business needs-categories with a large number of different retailers and wholesalers. For office/stationery, we compete, according to the Kantar TNS Report, predominantly with category specialists, some of which offer delivery. For pantry products, our main competitors are grocery retailers, whereas for cleaning & hygiene products, we mainly compete with both grocery retailers and drugstores. Taking all four surveyed common needs together, our key competitors include (in alphabetical order) Amazon (*i.e.*, the German subsidiary of Amazon EU S.à r.l., Luxembourg), MediaMarkt (pertaining to Media-Saturn-Holding GmbH, Ingolstadt, Germany, in which the Existing Shareholder has an indirect interest of approximately 78%), Office Discount (office discount GmbH, Neufahrn, Germany), Otto Office (OTTO Office GmbH & Co KG, Hamburg, Germany) and Viking (Office Depot Deutschland GmbH, Großostheim, Germany, part of the Office Depot group led by Office Depot, Inc., Boca Raton/Florida, USA ("**Office Depot**")).

In Russia, the top five players had an aggregate share of approximately 25% in 2015. We were the second largest therefrom, with a market share of approximately 4%. As is the case in Germany, the level of market fragmentation in Russia is high, and we mainly compete with retailers and wholesalers. According to the Kantar TNS Report, only a few competitors of nationwide relevance were identified in the survey. We believe this confirms the importance of regional players in the Russian SCO market, apart from the national companies identified in the survey and which include (in alphabetical order): Komus (Moscow, Russia), Lenta Ltd. (which operates a large hypermarket chain and is based in St. Petersburg, Russia), Magnit (PSJC Magnit, Krasnodar, Russia, a large retail group operating hypermarkets, supermarkets and drugstores) and Officemag (pertaining to Samson Ltd., Voronezh, Russia).

In Austria and the Czech Republic we are ranked first, with a market share of approximately 7% and approximately 15%, respectively, in 2015. The top five players accounted in Austria for approximately 26% of the market and in the Czech Republic for approximately 30% of the market in the same year. While in both countries office/stationery is the most important of the surveyed business needs, accounting in terms of value for slightly more than half of the SCO Market in each of these countries (as shown in the chart shown in section *9.6.1. "— Market Development and Key Growth Drivers and Trends"*), some of our main competitors are specialized wholesalers and retailers, of which some are e-commerce players. In addition, and with respect to the other general business needs surveyed in the Kantar TNS Report, our main competitors are grocery retailers and drugstores. In Austria, our most important competitors in the SCO market are (in alphabetical order): Billa (Billa Aktiengesellschaft, Wiener Neudorf, Austria), Office Discount (office discount GmbH, Salzburg, Austria), Pagro Direkt (PAGRO

Direkt für Großkunden GmbH, Guntramsdorf, Austria), Spar (SPAR Österreichische Warenhandels-AG, Salzburg, Austria) and Viking Direkt (Viking Direkt GmbH, Pregarten, Austria) and in the Czech Republic: Albert AHOLD Czech Republic, a.s. (part of the Delhaize Ahold group, based in Zaandam, The Netherlands), Alza.cz (Alza.cz a.s., Prague, Czech Republic), Kaufland (Kaufland Česká republika v.o.s., Prague, Czech Republic), Office Depot and Tesco (part of the retail group led by Tesco PLC, Hertfordshire, United Kingdom, "**Tesco**").

In China, the top five players (which does not include the Group), had an aggregate share of approximately 42% of the market in 2015. The leading players include national and international retailers active both in the online and offline channel. The overall SCO Market in China is more balanced across three of the four surveyed business needs, namely office/stationery, pantry and welfare (as shown in the chart shown in section *9.6.1. "— Market Development and Key Growth Drivers and Trends*"), which explains why, when considering all four business needs on aggregate, category specialists tend to be less important compared to the other four countries covered in the survey. The leading five players in the Chinese SCO Market are (in alphabetical order): Carrefour (part of the group led by Carrefour S.A., Boulogne Billancourt, France), JD.com (a Chinese e-commerce company headquartered in Beijing, China), Tesco, Trust-Mart (part of the group led by Wal-Mart Stores, Inc., Bentonville/Arkansas, USA) and Vanguard (China Resources Vanguard, operating in Hong-Kong and several Chinese provinces). We held the twelfth position in the market, with a market share of approximately 2%.

All market positions and the extrapolated market shares as well as the competitors mentioned above are based on unprompted "top-of-mind" (top 3) mentions of the providers used by the surveyed companies for purchases in the product categories pertaining to the four common business needs mentioned above and on the respective expenses by surveyed SCO companies for such product categories either during the last full calendar year at the time of the survey (*i.e.*, 2015) or the last financial year of the respective surveyed companies for which data was available at the time the survey was conducted, expressed in Euro (for foreign currencies, the exchange rates mentioned under *9.2.3.* "*— Market Definitions and Methodology — SCO Market*" were applied).

9.7. The German Grocery Retail Market

9.7.1. Market Development and Key Growth Drivers and Trends

Real is a leading national food retail player in the hypermarket segment of the German grocery retail market, with strong regional presence via 282 hypermarkets (as of March 31, 2017). According to data included in the GfK Market Drivers Report, the German grocery retail market (excluding non-food) for the main grocery retail formats – hypermarkets, supermarkets and discounters (excluding drugstores and specialty retailers) – amounted to EUR 160 billion in terms of sales in 2016.

The German grocery retail market is a mature, steadily growing market. According to the GfK Market Drivers Report, the three main formats (hypermarkets, supermarkets and discounters) grew, taken together, at a CAGR of approximately 2% over the 2012-2016 period (calculation based on FMCG and excluding non-food products). We believe that the market addresses the needs of both "demanding" shoppers (who enjoy shopping and discovering new products, and place emphasis on the shopping atmosphere and large shopping spaces) and shoppers who primarily focus on fulfilling their basic needs (who have a low emotional connection to shopping or consider shopping for groceries to be rather a burden, and typically focus on a fast, cheap shopping). We estimate that roughly one-third of demand in Germany (based on an internal assessment of demand share in terms of different shopping behavior types we carried out in the second half of 2015) corresponded to demanding shoppers, while the remaining two-thirds came from shoppers focused on covering their basic needs.

We typically observe smaller household sizes as a result of increasing urbanization. In addition, as consumers' lifestyles change, we also see a trend towards more efficient shopping and consumers demanding high-quality products and a wide product range. According to EHI Retail, hypermarkets had the largest assortment, with approximately 24,400 stock keeping units ("**SKU**") on average, followed by large supermarkets, with roughly 20,600 SKU. Supermarkets had a less broad range, with approximately 11,000 SKU, while discounters had a more limited range of around 2,000 SKU (data on SKU by retail format for 2016, published in

May 2017. All assortment figures are based on the average number of SKU for food and near-food products, but excluding non-food products). As of September 30, 2016, Real had an assortment of approximately 80,000 SKU (including food and non-food).

9.7.2. Competitive Environment

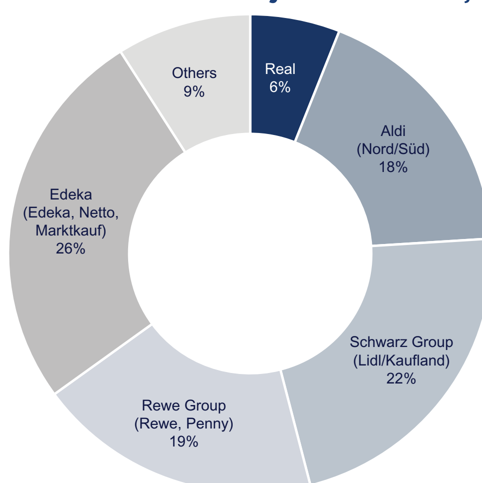
The competitive landscape is dominated by domestic players, in particular, as regards hypermarkets, supermarkets and discounters. According to the split by supply format provided by EHI Retail, discounters represented the largest portion of the German grocery retail market in 2016, with 45% of total sales, followed by supermarkets (29%), hypermarkets (12%), large supermarkets (10%) and other retailers (3%). For definitions of the different grocery retail formats, see *9.2.4. "— Market Definitions and Methodology — German Grocery Retail*".

The market is characterized by the large concentration of the four largest players accounting for more than 80% (on aggregate) of the total German grocery retail market in terms of market share (based on sales including VAT/sales tax) for 2016 (source: GfK Panel Data, including all grocery retail formats and per company, as opposed as per brand, *i.e.*, the different retailer brands of a single group are counted together). This results in a fierce price competition and significant market pressures for the other competitors, including Real, to try to keep up in terms of innovation, investments, and results in margin pressure (for example, through the growing brand offerings of discounters).

According to the GfK Panel Data, Real was the fifth largest grocery retail operator in terms of value in 2016, with a market share of approximately 6% of the total German grocery retail market. The top 4 market positions are held by (i) the Edeka group (which comprises several co-operatives of independent supermarkets operating under the umbrella organization Edeka Zentrale AG & Co KG, Hamburg, Germany, and also includes the Netto-branded discounter, Marktkauf hypermarkets and other supermarkets; "**Edeka**") (top 1; approximately 26% market share); (ii) the Schwarz group (Schwarz Beteiligungs GmbH, Neckarsulm, Germany, which operates the Lidl discounters and Kaufland hypermarkets (or, per EHI's classification of store formats, "large supermarkets") (top 2, approximately 22% market share); (iii) the Rewe group, Cologne, Germany (which also includes the Penny-branded discount stores) (top 3, approximately 19%); and (iv) the Aldi group (which includes the separately operating discounters "Aldi Nord", Essen, and "Aldi Süd", Mülheim an der Ruhr, Germany) (top 4, approximately 18%).

The following chart shows the market shares in the German grocery retail market for 2016 as explained above:

Competitive Environment in the German Grocery Retail Market, 2016



Source: GfK Panel Data, including fast moving consumer goods companies and non-food. All market shares refer to sales in terms of retail sales prices including VAT/sales tax for 2016.

Real competes not only with other large retail groups operating hypermarkets, discounters and supermarkets, but also with other retail outlets channels, such as convenience stores, forecourt retailers, etc. Apart from the four large players mentioned above, the rest of the competitive landscape is rather fragmented.

10. BUSINESS

10.1. Overview

We are – in our assessment – a leading international player in wholesale and FSD, both in terms of sales and based on our extensive warehouse presence, and a leading retail player in the hypermarket segment of the German grocery retail market. We are a strong international wholesale group with well-known brands such as "METRO" and "makro", a broad global presence (including 29 Megacities) and extensive reach. Overall, we are present in 35 countries with our wholesale and FSD offerings across Western Europe, including Germany, Eastern Europe and Asia. We operate 751 warehouses in 25 countries while we serve the remaining ten countries only via FSD. In addition, we also have 79 delivery depots. We also provide FSD, in particular, via recently acquired dedicated FSD businesses, Classic Fine Foods group, Rungis express group and Pro à Pro group. In our German-based food retail business we operate 282 hypermarkets almost exclusively under the "real,-" brand across the country (all data as of March 31, 2017, unless otherwise indicated).

Our business is carried out by two operating segments: the METRO Wholesale segment, which comprises our wholesale business (including warehouse and delivery) primarily for professional customers (B2B), as well as the Real segment, which comprises our German food retail business for retail customers (B2C).

In our METRO Wholesale segment, we generated EUR 29 billion external sales (net) (or 79.3% of our total external sales (net)) and achieved an EBITDA Before Special Items of EUR 1,464 million (corresponding to a margin of 5.0%) in 2015/2016. As of March 31, 2017, our METRO Wholesale segment had more than 100,000 employees working in highly-engaged teams, including over 7,000 sales representatives. As a multi-channel player we combine a broad, well-invested warehouse network with comprehensive FSD, out-of-store delivery, in-store order collection and transport after check-out as well as online shop capabilities which allow our customers to have their purchases delivered, buy in-store, or "click-and-collect". We believe that FSD is a growing and attractive business area. In the financial year 2015/2016, our Delivery Sales Share amounted to approximately 12.8% and Delivery Sales have organically grown at a CAGR of approximately 11% during the last three financial years (excluding Pro à Pro).

We believe that our Operating Model, which centers on customer value and the empowerment of our local organizations, fosters the creation of strong relationships with, and close proximity to, our B2B customer groups and provides a strong opportunity for the generation of additional value and a high share of recurring and predictable revenues. The B2B customers of our wholesale business are primarily small- and medium-sized businesses and individual entrepreneurs and mainly comprise: (1) HoReCa, which consist of hotels and hospitality businesses, restaurants, bars and cafés, caterers and canteen operators, (2) Trader, which consist of small grocery stores, kiosks, street food traders and petrol stations as well as wholesalers, and (3) SCO, which consist of a wide variety of professional service companies and organizations, such as service providers, offices and institutions. Depending on our main customer focus in each country in line with our Operating Model, we gear a tailored offering adapted to specific customer patterns and needs to best capture local market opportunities.

As of September 30, 2016, in our METRO Wholesale segment, we had over 65 million active METRO cards (cards that have been issued within the last 24 months or have been used at least once within the last 24 months, whereby all cards belonging to a customer are considered active even if only one card was used, based on Data Warehouse). We believe that we benefit from comprehensive insights into our customers' needs as a result of the transparency provided by the METRO card, which enables us to track our customers' purchases and thus customize product assortments as well as marketing and promotional activities to their specific needs. Consequently, we see the METRO card as a strong tool to attract, retain and regain our B2B customers through their life cycle. As of September 30, 2016, we had approximately 21 million Buying Customers in our METRO Wholesale segment. Thereof, approximately 4 million – or approximately 19% – were Recurring Customers. These Recurring Customers represented a disproportionately high share of sales, as we generated approximately three-quarters of the sales attributable to our METRO Wholesale segment with such Recurring

Customers in 2015/2016. We believe that the high share of sales with these Recurring Customers has supported and has the potential to further support the resilience of our business across economic cycles.

In our METRO Wholesale business, we offer a tailored and differentiated product assortment with a broad range of SKUs across dry, fresh and ultra-fresh food products, but also various non-food products. Our product assortment is based on local customer needs with a mix of third-party branded products, third party exclusive products and established own brand products (our own brand products represented approximately 17% of the METRO Wholesale segment external sales (net) share on a like-for-like basis in 2015/2016, based on Data Warehouse). Our comprehensive, international sourcing allows us to access a vast variety of products, including the highest quality products. Moreover, we believe that our long-standing supplier relationships and procurement partnerships enable us to maintain consistent product availability and innovation. In addition, we focus on product development and aim to provide best-value offerings, as well as food sustainability and safety, for example, by ensuring the traceability of products, via cold chain handling and by implementing high quality standards.

In our Real segment, in 2015/2016, we generated EUR 7,478 million external sales (net) (or 20.5% of our total external sales (net)) and achieved an EBITDA Before Special Items of EUR 247 million (corresponding to a margin of 3.3%). With our Real retail business and its 282 hypermarkets, we are, as of March 31, 2017, a leading hypermarket operator in Germany and were the fifth largest grocery retail operator in the country in terms of 2016 sales. At Real, we have recently introduced a new hybrid store concept, which combines our customer-centric "food lover's" concept with the advantages of big shops catering for the specific needs of our prospective retail consumers. This hybrid store concept is currently being tested in a pilot store in Krefeld, Germany. In 2015/2016, our Real hypermarkets had approximately 1 million Customer Visits per day, and approximately 60% of the sales of the Real segment in 2015/2016 were generated with loyalty card holders (all figures based on Data Warehouse). Our hypermarkets offer a very broad product assortment comprising both food and several non-food product categories.

At Group level, we had sales of EUR 36,549 million, EBITDA Before Special Items of EUR 1,791 million and a profit of EUR 519 million in the financial year 2015/2016. Driven by proceeds from selected portfolio adjustments and our strong cash flow from operating activities, we reduced Net Indebtedness from EUR 6,535 million as of October 1, 2013 to EUR 3,051 million as of September 30, 2016.

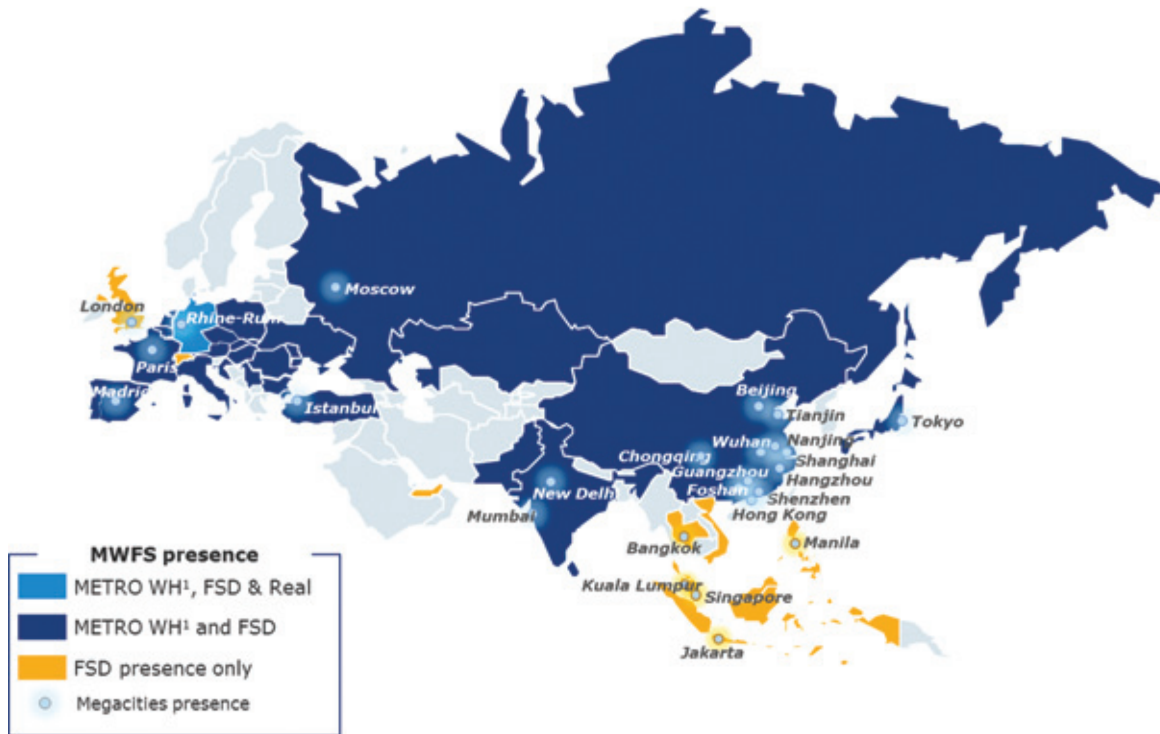
10.2. Competitive Strengths

We believe that the following strengths and, in particular, their combination, distinguish us from our competitors and provide us with competitive advantages in the markets in which we operate:

10.2.1. A Leading Player in Wholesale and FSD with a Strong and Diversified International Presence

We have a strong international presence and reach across Western Europe, including Germany, Eastern Europe and Asia, with warehouse operations in 25 countries. In our METRO Wholesale segment, we operated 751 warehouses and 79 delivery depots (including the recently acquired FSD player Pro à Pro). Our warehouses and depots are complemented by various FSD platforms, including in ten additional countries, predominantly in Asia, where we do not have a physical presence. Overall, we are present in 29 Megacities (all figures as of March 31, 2017). In our Real segment, we operated 282 hypermarkets across Germany as of March 31, 2017.

The map below shows our presence by geography as of March 31, 2017:



1 METRO Wholesale warehouse presence

In the financial year 2015/2016, we generated 34% of our sales in Germany (of which 20 percentage points related to Real and 13 percentage points related to METRO Wholesale), 28% in Western Europe (excluding Germany), 27% in Eastern Europe and 12% in Asia (each figure a percentage of our total sales). We believe that this regional diversification has helped in the past to mitigate the impact from negative economic developments confined to certain regions.

Based on our presence and also in terms of sales we are a leading international player in wholesale and foodservice distribution (as compared with our peers, using the latest available financial year sales information, where applicable converted into Euro using average foreign exchange rates, whereby due to the different financial year-end among competitors, sales may not be directly comparable, and compared to peers' geographic presence in terms of number of countries). In particular in Germany and our other Western European markets, we have a very broad reach with more than 60% of the population in these countries living within a 25 km radius of one of our warehouses, based on our analysis of data on population and area on postal code level provided by MB Research for 2014 (average of our relevant Western European countries). We also have a portfolio of strong wholesale brands: METRO and makro, as well as FSD brands such as Classic Fine Foods, Rungis express and Pro à Pro.

Our long standing heritage and scale allows for a tailored and differentiated product assortment based on local customer needs, with a particular focus on a broad range of SKUs across dry, fresh and ultra-fresh food products. This resulted in what we believe to be an excellent food expertise. In addition, we also offer a broad range of non-food products. Our overall assortment includes, besides third-party branded products, third-party exclusive products and established own brand offerings (our own brand products represented approximately 17% of the METRO Wholesale segment external sales (net) share on a like-for-like basis in 2015/2016, based on Data Warehouse). We focus on product development aiming at best-value offerings, as well as on food sustainability and safety, for example, ensuring traceability of products, cold chain handling and implementing high quality standards. We also strive to supply products of the highest quality, for example, with our ultra-fresh offerings such as cut meat or seafood. Our international sourcing platform comprises four trading offices with product experts and direct sourcing, which enables us to access a vast variety of products. We also have a large number of long-standing supplier relationships and have established several procurement partnerships with a focus on enabling consistent availability and innovation.

10.2.2. Focus on Attractive Underlying Markets with Solid Fundamentals and Growth Potential

We focus on attractive markets, in particular, the HoReCa and Trader Markets in which our main focus customer groups act: Western Europe including Germany, Eastern Europe and Asia. According to the Euromonitor Passport database, our main markets are forecast to grow in each of these regions during the 2016-2020 period, in particular, in Asia (CAGRs of 5.8% (HoReCa) and 4.7% (Trader)) and Eastern Europe (CAGRs of 4.9% (HoReCa) and 5.9% (Trader)). In addition, our main markets are driven by key trends and strong fundamentals that support further growth in the underlying HoReCa and Trader sectors. These trends include demographic, income and spending growth, urbanization, busier lifestyles, convenience (for example, quick and convenient shopping and "on-the-go" shopping), tourism and increasing travel or eating out as a habit. We hold leadership positions in key HoReCa-focused markets, namely France, Germany and Italy, in terms of sales (source: GiRa, data for 2015 (France and Germany) and 2014 (Italy)), and we believe that we also hold strong market positions in most of our other HoReCa-focused countries. For more information on the development of our markets and their main drivers as well as on the competitive environment, see *9. "Markets and Competitive Environment".*

Depending on our main customer focus in each country, we adapt our offering to the specific customer patterns and needs. For example, with respect to our HoReCa customers, we believe that our warehouse and FSD businesses mutually reinforce each other, enabling potential for both topline synergies (the ability to capture a customer's full wallet) and cost synergies (such as savings in sales and marketing, general and administrative functions, purchasing and logistics). In the recent past, new FSD customers also regularly visited our warehouses, thus, ending up using both channels. In addition, we also noticed that smaller, but growing customers typically use warehouses first but also start using FSD as they grow over time. Furthermore, the complementary assortments of both channels offer a broad range of cross-selling opportunities. We believe that these and other factors may allow us to increase the share of wallet with our existing and also new HoReCa customers if such customers begin using more than one of our sales channels. In Trader-focused countries such as, for example, Romania, we aim to capture the trend towards convenience and organized trade, for example, with our franchising approach. We believe that this further strengthens our customer relationships with Trader customers through our warehouse channels but we also focus on improving delivery for our Trader franchise.

If markets allow, we believe shifting from a multi-focus approach to a customer-focus approach is important in the competitive landscape of our key markets. In Italy, a HoReCa-focused country and one of the largest HoReCa markets in Europe, with EUR 73 billion in 2016 (Euromonitor Passport database, gross sell-out values for the commercial consumer foodservice market in Italy), our business model includes smaller store formats, an increased focus on fresh products, stable pricing and various delivery options, which are characteristics that we believe are particularly appealing to our HoReCa focus group. In Romania, which is a Trader-focus country, we focus on low-cost "no frills" stores, dry and ready-to-eat solutions, low price offerings and on extending our brand alliance network. In Russia, a Multispecialist country with a EUR 14 billion HoReCa Market and a large, but fragmented, EUR 65 billion Trader Markets (source: Euromonitor Passport database, sell-out values for 2016), we target all customer groups, with "one-stop shopping" warehouses, a focus on quality shoppers and a "shop-like-a-pro" atmosphere. In this way, we believe our Operating Model enables us to capture local market opportunities and we consider us fit for purpose in each of our markets.

In the very specific German grocery retail market, dominated by discounters, we are currently testing Real's new hybrid "food lover's" concept in our Real hypermarket in Krefeld, Germany. This concept combines a strong assortment competence with high service level and foodservices and, in particular, includes an increase of ultra-fresh categories and gastronomy offerings, focuses on demanding shopper customers, which we believe to be attractive retail customer groups.

10.2.3. Fully Focused on Customer Value with Highly Engaged Teams

We have a focused organization which targets three distinct B2B customer groups, namely HoReCa, Trader and SCO, which represented approximately 41%, 22% and 38%, respectively, of

our METRO Wholesale sales (based on Data Warehouse) in the financial year 2015/2016. Our strong customer-facing organization comprises an extensive team of food specialists and included approximately 790 warehouse managers and over 82,000 food associates (*i.e.*, customer-facing employees in our warehouses), as of September 30, 2016. Overall, more than 70% of our employees are customer-facing (including sales and field force, sales managers, key account managers and customer service; figure as of September 30, 2016).

We strive to be the champion for independent businesses and to contribute to our customers' success with a strong focus on fostering trusted, personal customer relationships and seeking customer understanding. We believe that our success is, among other things, dependent on the success of our customers who we seek to inspire and engage through our expertise, customer-oriented solutions and overall value proposition. We also believe that our customer engagement model drives growing, recurring and predictable sales as we strive to particularly address the most attractive B2B customers in each market in which we operate with a tailored value proposition.

Our customer-focused model is designed to enhance the share of sales with particularly loyal customers (so-called Recurring Customers) and, thereby, designed to support growth. Approximately 19% of our about 21 million Buying Customers in the financial year 2015/2016 were Recurring Customers, which contributed approximately 74% of the sales of our METRO Wholesale segment in this financial year (based on Data Warehouse). Such recurring buying behavior is one of the key pillars of our business. We believe that the high sales share with Recurring Customers has supported and has the potential to continue to support the stability and resilience of our business throughout economic cycles.

In particular, Recurring Customers have historically been characterized by repeat purchasing behavior and superior average spend, both in terms of average basket size per visit and average annual sales per customer (except, in the latter case, for SCO), as compared to retail customers. This is the case even with fewer average annual visits per customer compared to retail customers. In 2015/2016, average annual visits per Recurring Customer were approximately 74 for HoReCa, approximately 69 for Trader and approximately 27 for SCO customers, compared to around 176 for retail customers. In 2015/2016, our average annual sales per Recurring Customer (annual visits multiplied by the average basket size of the respective group) amounted to approximately EUR 17,600, EUR 14,600 and EUR 1,800 for HoReCa customers, Trader customers and SCO customers respectively, compared to the industry average basket size of retail customers in the markets in which we operate of approximately EUR 2,900 (according to retail customer analysis based on retail data points for the year 2015 from an external data source, with countries weighted based on our own sales and based on our own analysis; all other data based on Data Warehouse).

Furthermore, we believe that our METRO card provides comprehensive insights into our customers' needs and enables us to design a better value proposition. As of September 30, 2016, we had more than 65 million active METRO cards (based on Data Warehouse). These customer cards are (in almost all cases) only available to registered businesses and are generally required to access and make purchases at our warehouses. We believe that our METRO cards are an important tool to attract, retain and regain B2B customers throughout their life cycle, because they allow us to track our customers' purchases and develop a better customer segmentation. All of this allows us to better understand and serve our customers, for example, with targeted marketing initiatives.

We also leverage the net promoter score^{SM} ("**NPS**") to continuously enhance customer experience and customer dialogue, both in our warehouses and our FSD business. In certain countries, such as Russia or Turkey, the NPSs® derived from a question to customers about the likelihood of their recommendations as an indicator of customer satisfaction have been increasing when comparing data from the fourth quarter of 2014/2015 and the fourth quarter of 2015/2016. We believe customer satisfaction is a lead indicator for like-for-like sales growth, and we have observed that our active promoters are more valuable customers and typically spend more than our other customers. See also *10.5. "— Customers"*.

In addition, in the recent past, we have undergone a cultural transformation. This has resulted in a strong focus on company culture, and our employees have shown high and increasing employee engagement. According to an internal survey (conducted on our behalf in May 2017

by Aon Hewitt) among our employees pertaining to our METRO Wholesale operations and service companies across all countries in which we are present with warehouses, 76% of our workforce showed engagement (defined by Aon Hewitt as the percentage of total employees with an average response score of at least 4.5 on a scale from 1 to 6 when responding to three questions on employee engagement). This is an increase of 1 percentage point compared to the 75% obtained during the engagement survey conducted in May 2016, of 4 percentage points compared to the 72% obtained during the engagement survey conducted in May 2014, and 16 percentage points more than the 60% achieved in a survey carried out in October 2011 (since 2011 our employee surveys are carried out by Aon Hewitt using the above-mentioned methodology). The result achieved in 2017 is also significantly higher than the global retail benchmark for 2017, which was calculated by Aon Hewitt at 64%, based on responses from 385 retail companies worldwide.

10.2.4. Local Empowerment Fostered by Our Operating Model with Focus on Local Value Creation and Successful Strategic Transformation

We have undergone a five-year transformation which was followed by the introduction of our Operating Model which includes a rigorous process based on local value creation plans with extensive preparation and ongoing focus on implementation. Our customer focus required a change in the way we operate. Our new Operating Model for our wholesale operations (including warehouse and delivery), as introduced in October 2015, centers on the customer and empowers our local companies to develop and implement their individual, bottom-up based value creation plans.

This new approach has resulted in a group of fully empowered B2B companies with greater operational responsibility. We believe that this decentralized organizational structure with local empowerment is key to successfully finalize and fully implement our strategic transformation. This has resulted and is expected to further result in local, differentiated and modernized business models which are based on a comprehensive customer understanding and an enhanced assortment tailored to our local customers' needs. Fully empowered boards at country-level, incentivized through revised local incentive schemes based on clear, pre-established long-term and short-term parameters, as well as a central organization supporting local value creation (for example, through commercial support functions) are now actively managing our strong portfolio of local businesses along our overreaching strategic value levers (see *10.3.1. "— Strategy — Five Overarching Strategic Value Levers"*), which we believe enhances governance and accountability.

Under our Operating Model, we have also placed, and strive to further place, a strong cash flow focus in our financial planning, and the local value creation plans provide clarity on the respective strategic and financial outlook. These plans are drawn up taking several factors into consideration, such as the specific market size, market characteristics and dynamics, customer needs, the particular competitive environment, internal strengths, assets and position in each country, as well as feasible execution plans and the required resources. Investment decisions are based on thorough data-driven analysis supported by customer insight using the records of our METRO card system. We believe that this value creation approach allows for improved planning, effective execution and increased accountability. As of the date of the Prospectus, all value creation plans for the different countries have been approved and are in varying stages of implementation, which is expected to continue over the current and next financial year.

We also benefit from a new co-operation model with a group-wide exchange of specialist expertise through so-called federations. These international working groups function based on the "bottom-up" (as opposed to "top-down") principle. This model enables the sharing of best practices across countries, while retaining only non-negotiable functions at our headquarters.

More generally, the approach of our Operating Model means that we focus on leaner headquarters functions while key commercial functions are implemented by local businesses on a "pull" basis, based on local market and customer analyses and demand. We believe that this structure supports an active ownership approach to our portfolio of locally empowered companies.

10.2.5. Successful Portfolio Optimization and Focus on Core Business

We are a focused business. With active portfolio management, including successful portfolio adjustments concerning selected wholesale operations and hypermarkets, we have significantly strengthened our balance sheet in the recent past. We now maintain leaner headquarters and a successful and strengthened portfolio of local wholesale companies in 25 countries, dedicated FSD businesses (among others through the acquisitions of the Classic Fine Foods group, the Rungis express group and the Pro à Pro group) and a retail operations in the German hypermarkets business.

The Demerger – in combination with our Operating Model – is expected to further enable us to focus on our core business, to further differentiate and modernize our local business models and to concentrate on our core customers with enhanced assortments tailored to our customers' needs.

We also believe that there are meaningful synergies between METRO Wholesale and Real. These include, among other things, (i) procurement scale which provides for benefits in terms of negotiations with suppliers of fast moving consumer goods (FMCG), ultra-fresh sourcing and joint sourcing of non-food products and goods-not-for-resale; (ii) an extensive logistics, IT and administrative backbone, in particular, in Germany allowing for cross-functional distribution centers, and joint functions, such as accounting and payroll; and (iii) capability and talent sharing, supported by group-wide talent development and access to innovations through the renowned US-American start-up network Techstars enabling us to identify solutions that capture value for our customers.

10.2.6. Sound Financial Profile with Substantial Real Estate Underpin

We believe that our steady topline growth on a like-for-like basis, solid profitability and sound balance sheet with significant real estate underpin provide for a firm basis for our mid-term growth ambitions. Further improvement is expected from the ongoing implementation of the local value creation plans in the context of our Operating Model, a strong focus on capital expenditures efficiency and Net Working Capital optimization, as well as significantly lower restructuring charges expected over the next few years. Through consequent portfolio management, we have now a stronger focus and a healthy portfolio of businesses with a sound balance sheet (see also *10.2.5. "— Successful Portfolio Optimization and Focus on Core Business").* In addition, over time we have achieved a significant reduction of our Net Indebtedness, from EUR 6,069 million as of September 30, 2014 to EUR 3,051 million as of September 30, 2016.

We have also generated strong sales on a like-for-like basis, although our reported sales in the last financial years were significantly impacted by the aforementioned portfolio optimization. On a like-for-like basis (see *2.8. "General Information — Note Regarding Non-IFRS Measures"*), our METRO Wholesale segment has achieved 15 consecutive quarters of like-for-like-sales growth, from the fourth quarter of the financial year 2012/2013 to the second quarter of the current financial year 2016/2017.

Our business is also underpinned by a strong real estate portfolio with a significant freehold share of approximately 47% (approximately 56% for our wholesale business and approximately 22% for our Real retail business; all data as of September 30, 2016). As of September 30, 2016, land and buildings had a book value of EUR 5,124 million (including finance leases). We manage our real estate portfolio under a value-optimizing real estate strategy which includes acquisitions, project developments and divestments (in the recent past of single assets to medium-sized portfolios). Overall we had 1,041 trade locations across Germany, the rest of Western Europe, Eastern Europe and Asia as of September 30, 2016. For details on the effect of real estate transactions, see also *8.2.5. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations — Key Factors Affecting Results of Operations, Financial Position and Cash Flows — Portfolio Optimization and Real Estate Transactions".*

10.3. Strategy

To achieve our mid-term sustainable sales growth ambition of a low to mid single-digit percentage per annum (at constant exchange rates and before portfolio measures) at stable EBITDA-Margins in line with the recent past, we follow a clear strategy for the future. Based on

our Operating Model (see *10.2.4. "— Competitive Strengths — Local Empowerment Fostered by Our Operating Model with Focus on Local Value Creation and Successful Strategic Transformation"),* our local companies develop and implement their individual value creation plans. These value creation plans allow for transformation and growth according to local demands, with a central organization that supports local value creation and actively manages the portfolio. Based on the "bottom-up" value creation plans, we have identified five overarching strategic value levers for our wholesale business. In addition, we have defined and follow clear strategic priorities for our Real business.

10.3.1. Five Overarching Strategic Value Levers for our Wholesale Business

Our wholesale strategy is based on the following five overarching value levers which emerge from the "bottom-up" value creation plans and which we aim to further implement to continue to improve and transform our business:

10.3.1.1. Capture the Full Potential of Warehouse Wholesale across our HoReCa, Trader and SCO Customer Groups

Our warehouse channel is at the core of our business, and we intend to reinforce this channel as a basis for future success. Our warehouse network ensures access to a Recurring Customer base, and we believe that the financial success of our largest channel represents one of the foundational elements for the future growth of the Group. We intend to leverage our strong market position – we are — in our assessment — a leading international player in wholesale and FSD (see *10.2.1. "— Competitive Strengths — A Leading Player in Wholesale and FSD with a Strong and Diversified International Presence"*) – in order to exploit the full potential of our warehouse channel.

We intend to approach this potential from two angles. First, we aim to increase warehouse differentiation to make our warehouses more focused and, thereby, even more relevant from a customer's perspective, for example, by using layouts specifically tailored to HoReCa or for Trader customers and their respective needs. For example, warehouses with a HoReCa focus (for instance, in France) include smaller urban area warehouse formats focused on offering assortments tailored to HoReCa customers (for example, a greater focus on fresh and ultra-fresh food products). These have a store layout which allows for quick journeys through the warehouse and which is complemented by a range extension through online offerings. In contrast, warehouses tailored to Trader customers (for example, in Romania) stock a different product assortment (including, for example, larger areas reserved for dry food, but with an overall reduced number of SKUs) and have a no-frills design.

Second, we seek to change from a centralized, "one-size-fits-all" growth model based on new warehouse openings which required high amounts of capital and operating expenditures, to a sales growth model based on like-for-like sales as a main focus. As a consequence, we plan new warehouse openings mainly in select growth markets (such as China, India, and Russia) which are typically characterized by higher GDP growth potential and less intense competition as compared to mature markets (such as Germany and other Western European countries) with generally well-established and stable wholesale and FSD structures. In such mature markets, we plan fewer warehouse openings, coupled with an active management of our store portfolio and tailored specifications for new openings and warehouse remodelings. In doing so, we strive to actively manage our store portfolio and to focus on and further implement a lower capital and operating expenditures approach.

10.3.1.2. Expand FSD and other Delivery Business

We believe that our delivery business, and, in particular, FSD are attractive complementary businesses to our core warehouse business. FSD is a key channel for HoReCa customers in many of our markets (for example, in Germany, France and Italy) and reinforces recurring relationships. We want to accompany our HoReCa customers as they grow by expanding our delivery capacity. Local FSD and other delivery strategies, for example, B2B non-food delivery solutions are an integral part of our local companies' value creation plans, since delivery has historically provided for, and we believe has the potential to provide for, highly recurring revenues in the future. We therefore see delivery as a means to achieve growth.

We have already undertaken different measures across various countries to expand FSD and other delivery sales. Generally, we follow a two-fold strategy: On the one hand, we strive for organic growth of our existing delivery business based both on higher sales with existing customers, in particular, as part of our multi-channel approach (see *10.2.5. "— Competitive Strengths — Successful Portfolio Optimization and Focus on Core Business"*), as well as through entering into new client segments such as organized HoReCa customers including canteens at limited incremental cost. This organic growth approach is expected to stem, among others, from leveraging existing warehouses by transforming excess warehouse area into out-of-store delivery depots (as we have done in the past, for example, in Germany where we have transformed excess warehouse area, for example, in our Weiterstadt warehouse into an out-of-store delivery depot). In addition, the organic growth shall be driven by expanding our delivery depot network through the planned opening of select new depots in white spots with a particular focus on metropolitan areas. For example, in the Czech Republic, the expansion of delivery is at the core of the local value creation plan and we are currently implementing a new fulfillment model to evolve from an out-of-store delivery concept to an integrated FSD system. In particular, a highly-integrated logistics and fulfillment system with an own, highly-automated distribution center is in the future expected to supply both warehouses and delivery depots at lower running costs which is expected to result in higher agility, simplicity and improved service levels. Also, in Italy, we plan to use part of our warehouses to further build up out-of-store delivery capabilities and accelerate delivery growth by opening depots in metropolitan areas such as Milan or Rome.

On the other hand, our FSD and other delivery growth strategy is also based on select acquisitions, in particular, focusing on B2B delivery players. Generally we expect the size of such acquisitions to be broadly in line with past acquisitions of, for example, the Classic Fine Food group and the Pro à Pro group.

In addition, we plan to leverage our strong warehouse platform to provide our customers with FSD and other delivery services, to increase our share of wallet with them, and to achieve further synergies between our HoReCa warehouse and delivery businesses (see *10.2.5. "— Competitive Strengths — Successful Portfolio Optimization and Focus on Core Business"*).

This two-fold approach aims to achieve topline growth and cost synergies, for example, by further enhancing cross-selling opportunities, further gaining local capabilities and FSD competence and expanding our customer base.

We also evaluate entering into new geographic markets, for example, countries which only recently lowered entrance barriers, such as Myanmar where we are currently preparing market entry with a capex-light expansion focused on FSD through a distribution center in Yangon which is planned to be opened in the beginning of 2018.

10.3.1.3. Build up Trader Franchising

We believe that local Trader franchise models create new growth opportunities in relevant markets. As such, we intend to expand our Trader franchise programs in countries such as Poland, Romania and, in particular, Russia. In 2015/2016, average spending per franchise Trader was approximately four times higher than that of other recurring Trader customers (based on Data Warehouse, see also *8.2.3 "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations — Key Factors Affecting Results of Operations, Financial Position and Cash Flows — Changes in Customer Mix"*). In some of our markets, such as Russia, a trend toward convenience and organized trade can be observed, and modern convenience shops thrive because of their proximate support and efficient management. This puts independent Traders (which are an important customer group for us) under pressure. In this context, we believe that our Trader franchise model offers considerable opportunities and enables us to support these independent Traders to sustainably compete against organized Traders. Such franchises are of significant strategic value to us. In particular, we believe that total income margins, share of wallet and monthly sales with franchised stores are likely to increase compared to average Trader customers.

We intend to leverage our strong customer base and established relationships with independent Traders via our existing warehouse platform to further build up Trader franchise systems in various markets. This further franchise roll-out is planned to be accompanied by an improved delivery depot network which we strive to also use for HoReCa delivery as well to

achieve better utilization and efficiency. As of March 31, 2017, we had Trader franchise models set up in several countries, for example, in Bulgaria, China, Poland, Romania and Russia, under different brands (for example, “Fasol”, “Freshly”, “MyMart”, “LaDoiPaşi”, “Môjobchod” or “Odido”) with an aggregate of close to 5,000 franchise stores. We also intend to scale up these and similar franchise models in certain countries based on long-term relations with our large Trader base by providing upgraded infrastructure, branding, training and coaching to franchise partners and usually by taking on some of the required capital expenditures. For example, in Russia, we are supporting smaller, independent Traders (with a selling surface between 50 and 150 sqm in select cases) with a franchise model under the “Fasol” brand. As of March 31, 2017, we already had franchised more than 200 stores in Russia and the system is quickly expanding, with a particular focus on urban areas like Moscow.

10.3.1.4. Operational Excellence to Lower our Cost Base and Increase Cash Focus in our Local Companies

All our portfolio companies have introduced cost measures and have increased their focus on cash as part of our Operating Model to fund their value creation and growth. Individual measures vary for each local plan and include, on one level, cost savings by increasing operational efficiency in warehouses, a reduction in personnel costs through process optimizations, enhanced supplier negotiations to achieve better cost of sales and optimization of our assortment with a focus on tailoring and reducing the number of SKUs, thereby reducing complexity and handling costs.

On another level, we focus on overhead reduction across the Group and our global and local headquarters. Thereby we aim to achieve a leaner organization by giving more responsibility to local companies which have greater customer proximity, while stringently reducing headquarter functions to those truly required to support the business. In particular, we have implemented operational measures with a view to downsize overhead personnel and other staff to further improve overhead efficiency and to realize personnel efficiencies in the periods under review. As part of our transformation and strategic organizational repositioning, our decentralization efforts included a first phase of restructuring at our headquarters which resulted in downsizing of certain administrative functions by approximately 170 FTE in the period as from May 2015 until September 2016. In the context of the Demerger, we expect to further streamline the structure of our headquarters and we anticipate an additional reduction of approximately 240 FTE (of which approximately 55 FTE will remain with the CE Group). In connection with this ongoing Demerger restructuring we currently strive for an EBIT and EBITDA upside potential in a range of approximately EUR 20 million per annum of which a significant share is aimed at being realized already from the current financial year 2016/2017 onwards.

As a further example, in Turkey, the local value creation plan focuses on both operational efficiency including, among others, the reorganization of our warehouses and local sales force, as well as overhead reduction in connection with a restructuring of local headquarters, and these measures have already resulted in a significant positive EBIT impact in the recent past.

As a third building block, we strive for an increased focus on cash flow for increased cash conversion, targeting Net Working Capital optimization and prudent spending (including maintenance capital expenditures), with specifications adapted to local needs. Our ambition is that this leads to further capital expenditures savings. In India, for example, we are focusing on capital expenditures efficiency in new warehouse openings, both in terms of layout and vendor selection. We believe that this may allow us to significantly reduce our capital expenditures per sqm for new warehouse openings (for example, based on the difference between capital expenditures for a new warehouse opened in India in September 2016 compared to a prior warehouse opened in June 2015, we were able to reduce capital expenditures per sqm by up to 40%, although this example may not be representative for future warehouse openings).

10.3.1.5. Knowledge, Solutions and Digital Tools

As digitalization continues to accelerate, we see new opportunities for small and medium-sized enterprises (“**SMEs**”) mainly in the hospitality sector which are currently only using digital tools in their business to a limited extent. We believe that there is significant untapped value in the HoReCa SME community, which represents a sizeable sector of the European HoReCa Market,

with approximately 1.8 million outlets, approximately EUR 420 billion revenues (sell-out value) and approximately EUR 110 billion spent in procurement (sell-in value) (European HoReCa sector including Germany, Western and Eastern Europe, United Kingdom and Switzerland, HoReCa Market (commercial consumer foodservice) as defined in *9.2.1. "Markets and Competitive Environment — Market Definitions and Methodology — HoReCa Market and Relevant HoReCa Market*" at sell-out prices according to the Euromonitor Passport database; procurement (sell-in) value based on our estimates for the Relevant HoReCa Market as described in the same section). This community is, however, difficult to reach, as it is highly fragmented, has a very traditional business approach and in general uses almost no digital business tools. We strive to leverage our strong reach into the market, our sector expertise and strong relationships to address this group with a growing number of digital solutions.

We are convinced that digital tools can contribute to improve customer experience and business performance and that customer reach represents a major success factor in order for new digital tools to reach the necessary scale. We therefore focus on digital business development, for example, through our co-operation with Techstars for our "METRO Accelerator powered by Techstar" mentorship program for digital and technology startups across the entire value chain of hospitality and food tech, the identification of solutions that capture value for our customers and the development of solid business models. For these developments we typically start with a small initial investment, followed by investments by venture capital funds and the gradual intensification of "go to market" support. We also plan to invest into, roll-out and scale advanced solutions, such as the support of advanced business models with proven value creation for SMEs, and especially our HoReCa customers, dedicated sales efforts and efforts to translate available data into additional value, etc. We do not exclude the possibility of more significant investments in such digital tools should suitable opportunities arise. We expect that these measures will contribute to enhanced SME business performance and therefore enhanced relationships with this group.

A further strategic objective is to enhance knowledge transfer and develop new solutions and digital tools. For example, through the local METRO academies we offer various courses ranging from whiskey tasting to cooking classes and hygiene training targeted at our HoReCa customers. In addition, at our local companies, we also provide training for Trader customers, as well as support programs and customer advisory services. Furthermore, we focus on value-added services, locally tailored solutions and digitalization solutions for our wholesale business, including online ordering, automated ordering through an application program interface ("**API**") and an extended digital marketplace. Moreover, we develop or buy tools to enhance customer experience (for example, reservation, ordering and payment, and loyalty) as well as efficiency (for example*,* regarding inventory, replenishment through API, and administrative functions).

10.3.2. Well-defined Strategic Priorities to Drive Future Growth of Real

Our strategy for Real is based on several strategic pillars, which represent a shift from our former strategy based on stabilization and consolidation of the business towards differentiation. First, we are focusing on a stronger customer orientation. We have already redesigned the layout of 107 hypermarkets under our Big Bang modernization program since its introduction in 2013 to increase sqm productivity. Also, we have recently introduced our new "food lover's" concept, a hybrid-store concept which we believe provides an excellent value for customers and a clear competitive edge for us by combining an increase in ultra-fresh categories and gastronomy offerings with the advantages of a big shop concept. This concept combines our core activity of efficient big shops with an area containing a select offering and a specific presentation to address what we believe is a growing demand for an inspirational shopping experience. It is also in line with our aim to offer our customers a unique shopping experience and to develop and further enhance our complementary service activites. With this concept we aim to both win new customers and retain existing ones. Our first pilot hypermarket operating under this new concept in Krefeld, Germany, is resonating well with customers as we have recorded an increase, both in sales and in Customers Visits, in the period from the reopening until March 31, 2017. We are currently evaluating the details of a planned further roll-out of this concept with a particular focus on capex and opex efficiency. We have identified a preliminary list of suitable hypermarkets for this roll-out based on a three-fold strategy, being (i) pilot hypermarkets in superior locations with a full roll-out of our "food lover's" concept, (ii) for standard hypermarkets, which account for the bulk of the portfolio, a

partial concept roll-out based on local needs, and (iii) a few basic hypermarkets with only select changes to align with this "food lover's" concept.

In addition, we target select investments to position Real as a multi-channel retailer. As part of this strategy, we have recently integrated "Hitmeister.de" marketplace concept into our online platforms, "real.de" which should provide for additional online sales growth potential. Furthermore, we have recently expanded our online shopping options, including the number of SKUs available at "real.de" through the recent integration of "Hitmeister.de" and are currently evaluating the introduction home delivery options for our food online shop (currently in a beta test-phase). We believe that such complementary multi-channel offerings will allow us to lever key strengths such as product data, content, technology, scalability, large assortments, marketing performance and automatic pricing with the classic retail business of Real. Moreover, we strive to further increase our ultra-fresh categories and extend our buying co-operations in order to further improve our margins. We have already entered into partnerships with certain trading and service co-operations (such as Markant and RTG) (see *10.2.5. "— Competitive Strengths —Successful Portfolio Optimization and Focus on Core Business").*

As a further strategic objective, we intend to increase cost efficiency by streamlining our management structures, leveraging intra-group synergies and restructuring our headquarter functions and establishing a new regional operational structure organized around three regions. We have also reached a tariff agreement (*Zukunftstarifvertrag*) with the trade union that we believe will reduce Real's labor costs for a certain period. In particular, Real has suspended tariff increases between 2015 and 2017, reduced vacation and Christmas allowances between 2016 and 2019 and a timeframe for further negotiations on a long-term tariff agreement was agreed. In exchange, Real committed to an aggregate investment and other measures to improve store quality of EUR 1 billion over five years as well as to safeguard hypermarkets and employment and no base salary increase for executive employees between 2015 and 2019. We are currently in negotiations with ver.di about a long-term solution to secure competitive wage levels for our retail business (see also 1.3.12 *"Risk Factors — Risks Related to our Business Operations — We are exposed to the risk of rising labor costs which might negatively affect our profitability."*). Furthermore, we are concentrating on marketing efficiency, our multi-channel offerings (by expanding e-commerce, "click-and-collect" and online offerings) and centralizing our supply chain.

10.4. History and Development of the Business

With the opening of our first wholesale store in Mulheim an der Ruhr, Germany, in 1964, we laid the foundation for the successful concept of self-service wholesale. More than half a century later, our METRO Wholesale segment has grown significantly, with an overall presence in 35 countries across Western Europe, including Germany, Eastern Europe and Asia as well as more than 100,000 employees catering to the needs of our customers (in each case, as of March 31, 2017). The history of our business shows a long heritage of expansion in terms of both regional reach and scale.

In 1996, the Existing Shareholder, METRO AG was formed through a merger of the retail companies Asko Deutsche Kaufhaus AG, Kaufhof Holding AG and Deutsche SB-Kauf AG and listed on the stock market. In the same year, we also advanced our internationalization process by expanding to Romania and China.

In 1997 and 1998, we further advanced our expansion outside of Germany. During this time, we opened the first makro warehouse in the Czech Republic. In 1999, Real co-founded Payback, which today is the largest and most important customer loyalty program in Germany. In addition, we continued to consistently expand our international presence by opening warehouses, Real hypermarkets and non-food specialty centers outside Germany (according to Payback's own information on its website). 80 new locations were added in 2001, including the first warehouses in Russia. In 2002, Cash & Carry entered the Japanese and Vietnamese markets. In 2005, the first warehouse in Serbia was opened.

We continued our expansion with the opening of warehouses in Kazakhstan.

Our international strategy was further refined in 2012 with a clear focus on selected countries, in order to further optimize our international portfolio. In May 2012, we sold our makro

UK operations including 30 wholesale stores and all operating assets to the Booker Group, a grocery retailer in the United Kingdom. In November 2012, we sold Real's Eastern European business in Poland, Romania, Russia and Ukraine to the French retailer Groupe Auchan.

In November 2013, we opened our 750th wholesale market worldwide in the Chinese city of Chongqing. The retail segment Real focused on the development of its business activities in Germany. We agreed to divest Real's twelve hypermarkets and its headquarters in Turkey in 2014. We also decided to withdraw our wholesale business from Denmark by closing METRO Cash & Carry Denmark and closing our warehouses there. We also divested our wholesale business from Greece with effect as of January 31, 2015.

The year 2015 marked a milestone in our transformation process. We introduced our Operating Model as a new management and organization model that transferred more operational responsibility and gave greater leeway to the country organizations. We also acquired Classic Fine Foods group and thereby strengthened our competence and know-how in the field of FSD. Another important step was the divestment of GALERIA Kaufhof to Hudson's Bay Company which acquired the German and Belgian department store activities of GALERIA Kaufhof for a transaction value of around EUR 2.8 billion including the assumption of various liabilities. We also agreed on the sale of our wholesale operations in Vietnam.

In 2016, we acquired Rungis express group, a German FSD supplier active in six countries, in order to complement our existing FSD portfolio. In July 2016, we also entered into an agreement to acquire Pro à Pro, a FSD business in France. The acquisition closed in February 2017. Furthermore, we established new depots in Germany, China and Russia. We believe that our acquisitions and growth in FSD complement our wholesale business and strengthen our position as a multi-channel wholesale player combining offline and online businesses.

We now maintain a broad portfolio of wholesale and FSD companies in addition to our retail business in Germany (at the beginning of 2017, we disposed of our last four remaining Real hypermarkets outside of Germany which were located in Romania). The current setup of the Group is the result of a five year process, culminating in the bundling of our current portfolio in the new MWFS Group with the Demerger and the separation from the CE Business. We believe the Demerger enhances the focus on our core business and allows for the necessary entrepreneurial flexibility to directly adjust the strategic focus and business model to the changing circumstances in the market.

10.5. Customers

We primarily serve three distinct food-focused B2B customer groups with our warehouses and FSD. In selected countries end-consumers may also shop at our warehouses. In Germany, we complement this B2B customer focus with our retail offering to end-consumers (B2C) via our Real hypermarkets.

The customers of our METRO Wholesale segment are primarily small- and medium-sized businesses and individual entrepreneurs which mostly consist of HoReCa, Trader and SCO customers. Our HoReCa and Trader customer groups are our strategic target groups.

Our warehouses generally operate on a METRO card-only basis, meaning that, with very few exceptions, our customers have to obtain a METRO card to access and make purchases at our warehouses. Generally, customers must own, operate or represent a registered business in order to obtain a METRO card. As of September 30, 2016, we had approximately 65 million active METRO cards (based on Data Warehouse). We believe that our METRO cards enable us to track our customers' purchases which allows for an in-depth understanding of customer needs, targeted marketing, personalized communication and promotional activities as well as highly-tailored product assortments and a personalized purchasing experience. We believe this helps us attract, retain and regain customers through their life cycle and to monitor customer preferences and spending patterns regularly as part of our customer life cycle management. This is why we consider ourselves to have a close proximity to our customers. We aim to use these data in the future to enhance topline growth and customer loyalty. We also intend to use our big data assets to reduce cost and capital expenditures by, *inter alia*, employing our predictive analysis of customer behavior for investment decisions, optimizing our supply chain and predicting demand patterns to optimize our Net Working Capital. We consider this to be one of our competitive strengths, see also *10.2.3. "— Competitive Strengths — Fully Focused on Customer Value with Highly Engaged Teams".*

Our customers specify the type of busines in which they operate at the time of applying for a METRO card and are grouped in HoReCa, Trader or SCO accordingly. We generally divide our customers into Gold, Silver and Blue METRO card holders depending on their annual purchase volume. We offer Silver and Gold METRO card holders additional services such as separate parking spots or checkout areas.

We have a dedicated and experienced customer relationship management team. This team mostly consists of customer managers who are responsible for identifying and contacting potential new customers as well as engaging in various activities to maintain and develop relationships with our existing customers. Our customer managers are focused on different customer groups (HoReCa, Trader and SCO customers). Each customer manager is typically responsible for a specific number of customers within its group and is generally involved in collecting and arranging for processing customer orders, collecting customer feedback and providing tailored marketing offers and business consulting advice.

We also have customer managers dedicated to large volume customers or strategically important customers, such as large hotel, restaurant or caterer chains. Our customer managers provide a comprehensive range of support services to such customers, offer tailored product assortment and discounted offers to them, and seek to ensure that we have sufficient quantities of required products for such customers by estimating their purchase volume requirements.

Our customers can generally make payments in cash, use credit or debit cards or make a prepayment by bank wire transfer. In certain circumstances, and on a limited basis, we also offer interest-free delayed payment terms (typically five to ten business days) to some of our B2B customers. As we strive to anticipate and adapt to new trends, we also further develop our payment methods. For example, Real customers can now pay using a specific smartphone application.

In the financial year 2015/2016, we had approximately 21 million Buying Customers in our METRO Wholesale segment. Of those Buying Customers, our Recurring Customers, which accounted for approximately 19% of our Buying Customers in the financial year 2015/2016, represent a disproportionate share of sales given that we made approximately three quarters of our sales in the METRO Wholesale segment with these Recurring Customers in 2015/2016. We believe that a high number of Recurring Customers supports the resilience of our business during the course of economic cycles. We strive to further increase the number of Recurring Customers to promote growth and customer loyalty.

We believe that creating promoter customers will help us to further enhance the customer experience. Promoter customers are those customers who answer the following question: "On a scale 0-10, how likely is it that you would recommend our company to a friend or colleague?" with 9-10 ("**Promoter Customers**"). We define those customers responding with 7-8 as passive, and those answering 0-6 as detractors ("**Detractor Customers**"). NPS® is then measured as a percentage of promoters minus the percentage of detractors. As we have observed with the NPS® and purchase data for the financial year 2014/2015 data for individual markets (based on Data Warehouse), Promoter Customers are valuable and typically spend more than our other customers. For example, in Spain in the financial year 2014/2015, our Promoter Customers frequented our warehouses approximately 16% more often than Detractor Customers and had an average basket size that was also approximately 16% higher than that of Detractor Customers. As a result, we recorded an average annual sales figure by Promoter Customers in that country that was approximately 34% higher than those of Detractor Customers (based on Data Warehouse).

10.5.1. HoReCa Customers

HoReCa customers are foodservice operators such as hotels and other accommodation providers, restaurants (including fast food providers, bars, pubs, cafes and coffee shops) as well as caterers and canteen operators. Most of our HoReCa customers are independent (*i.e.*, not part of a chain). We serve our HoReCa customers mainly through our warehouses, FSD and out-of-store delivery.

HoReCa customers accounted for approximately 41% of our METRO Wholesale sales in 2015/2016 (based on Data Warehouse) and we expect the share of sales with HoReCa customers to further increase in the future.

In particular, we plan to continue to increase our exposure and develop our relationships with HoReCa customers by broadening our HoReCa-focused product assortment (including our dedicated own brands), increasing the focus of our sales force dedicated to this customer group, offering additional targeted promotions, and further developing professional consulting and food preparation trainings. We believe that these initiatives have the potential to positively impact our profitability, as HoReCa customers generally operate at margins we regard as very attractive and tend to be less price-sensitive than some of our other customers, while shifting their focus on the quality of products and services they receive. However, we typically incur higher costs to serve our HoReCa customers, for example, due to their demand for additional services, such as consulting services and training seminars or the comprehensive in-store product consulting services offered by our customer managers. Additionally, cost allocation is generally higher for HoReCa customers, for example, due to the larger assortment of fresh and ultra-fresh products which requires sophisticated cooling-systems and the like, as well as due to different store formats which are specifically tailored to the HoReCa customers' needs.

One example of our increased focus on HoReCa customers is Italy, which constitutes one of the largest HoReCa markets in Europe, largely composed of independent businesses. In Italy, our wholesale business was founded in 1972 as a "big box" generalist and was commercially very successful until the end of the 1990s, after which the business started to deteriorate and became loss making. To achieve a turnaround, we focused on our HoReCa customers and the significant additional potential in delivery. We therefore developed product solutions for each customer group's needs, especially hotels and restaurants and their different sales channels, that means, warehouse or delivery. In addition, we reorganized our sales personnel from a store-centric organization to a territory-centric organization, with a territorial manager responsible for warehouse managers and out-of-store delivery managers. Nowadays, our business model in Italy is focused on HoReCa customers and, in 2015/2016, HoReCa customers accounted for approximately 70% of our sales in Italy (based on Data Warehouse). We therefore changed into a two-channel specialist by transforming generalist warehouses into warehouses with a clear HoReCa focus (for example, smaller store formats with an increased assortment focus on fresh and ultra-fresh food, as well as stable pricing) and expanding delivery with approximately EUR 200 million in sales in 2015/2016 and with a CAGR of approximately 30% over the last three years (based on Data Warehouse). As a HoReCa specialist, we also aim to increase customer affiliation. In addition, we were able to increase cost efficiency by improving productivity in Italy by approximately 3% in the last two financial years 2014/2015 and 2015/2016 as well as increase an EBIT-margin by approximately 1% in aggregate during the same period. We were also able to achieve better control over our capital expenditures.

10.5.2. Trader

Trader customers are unorganized retail operators, and mainly comprise generalist and specialist food retailers, such as small grocery stores, convenience stores, specialist food stores, kiosks, street food traders, petrol stations and small retail chains or wholesalers. We serve our Trader customers mainly through our warehouses, franchising (for details on our franchise program see *10.8. "— Trader Franchise Programs"*) and, in select cases, out-of-store delivery. Although Trader customers, who are generally price-sensitive and face significant cost pressure themselves, typically provide for more moderate front margins, they are of strategic importance to us. This is because, in general, we have lower costs serving our Trader customers than our HoReCa customers, as we offer fewer services here and cost allocation is more favorable due to fewer fresh products, as well as dedicated warehouses which follow a "no frills" approach. Our Trader customers accounted for approximately 22% of our METRO Wholesale sales (based on Data Warehouse) in 2015/2016.

Examples for countries in which we have a Trader customer focus are Poland and Romania. In Romania, our Trader customers accounted for approximately 50% of sales in 2015/2016 (based on Data Warehouse). In this country, we operate "no frills" low-cost stores which mainly offer dry and ready-to-eat solutions at everyday low prices, while we also aim at extending our brand alliance network.

10.5.3. Professional Service Companies and Organizations (SCOs)

Professional service companies and organizations primarily comprise service providers (such as cleaning services, dry-cleaning companies, hairdressers and doctors) which we also refer to as "small companies", as well as office-based companies, public administration offices, schools, universities and hospitals. We serve our SCO customers mainly through our warehouses. These SCO customers accounted for approximately 38% of our total sales (based on Data Warehouse) in 2015/2016.

In our Multispecialist countries, such as Russia, we also focus on SCO customers. We plan to gain market shares with professional and affluent SCO customers by further expanding our geographical footprint into major cities with new and smaller store formats and by addressing key customer groups with a tailored value proposition.

While we do not identify SCO customers as a key strategic target group, they provide attractive margins and we incur only limited incremental cost to serve them (in relation to the costs already incurred to serve HoReCa and Trader customers).

In Russia, for example, where HoReCa customers made up for approximately 16% of our customers and our Trader customers accounted for approximately 35% of our METRO Wholesale sales in 2015/2016, we had approximately 49% of SCO customers in that financial year (based on Data Warehouse). As we believe that neither the HoReCa nor the Trader markets are currently developed enough in Russia to solely focus on them, we target all customer groups with "one-stop-shopping" warehouses and a focus on quality shoppers in a "shop like a pro" atmosphere.

10.5.4. Retail Customers

The customers of our German retail division, Real, are primarily end-user consumers. In 2015/2016, our Real segment experienced on average approximately 1 million Customers Visits each day, which we define by the number of customer payments per day.

The specific German grocery retail market, which is dominated by discounters, generally offers a small range of SKUs. We however believe that there are different types of retail shoppers: the demanding shopper type comprises approximately 30% of the shoppers who enjoy shopping, want to discover new things and appreciate the atmosphere, as compared to approximately 70% who belong to the basic needs shoppers that shop with low levels of emotions, want to shop quickly and cheaply and for whom grocery shopping is a burden. We believe that Real is well positioned to serve a growing group of the demanding shoppers. Through Real's co-operation with Payback, Germany's largest and most important customer loyalty program (according to Payback's own information on its website) we are striving to continuously improve Real's customer retention. In 2015/2016, around 60% of our Real segment's sales were generated with customers holding a Payback loyalty card (based on Data Warehouse). Additionally, we monitor customer satisfaction through regular interviews and develop strategies to increase customer satisfaction.

10.6. Warehouse and Hypermarket Network

As of March 31, 2017, we operated 751 warehouses in 25 countries. Most of our warehouses are located close to major roads for the convenience of our customers. For example, in our Western Europe markets, more than 60% of the population in such countries lives within a 25 km radius of one of our warehouses.

The following table provides an overview of our warehouse network broken down by countries as of March 31, 2017:

Country	Number of warehouses
Austria	12
Belgium	16
Bulgaria	11
China	87

Country	Number of warehouses
Croatia	9
Czech Republic	13
France	94
Germany	105
Hungary	13
India	23
Italy	49
Japan	10
Kazakhstan	6
Moldova	3
Netherlands	17
Pakistan	9
Poland	30
Portugal	10
Romania	30
Russia	89
Serbia	9
Slovakia	6
Spain	37
Turkey	32
Ukraine	31

In addition, as of March 31, 2017 our retail segment Real operated 282 hypermarkets in Germany almost exclusively under the "real,-" brand with an aggregate net selling space of approximately 2 million sqm.

10.6.1. Warehouse and Hypermarket Formats

With our warehouses we seek to offer an efficient, customer centric warehouse-style store layout tailored to the needs of our B2B customers. These have clearly arranged merchandise and wide aisles, convenient extra-long check-out counters, large baskets and flatbed trolleys, and different packaging sizes (single pack, METRO-unit (multipack), box and pallet) to meet our customers' demands.

We believe that, as part of our Operating Model, our flexible sales concept can be optimally adapted to meet the specific conditions and needs of the respective customer groups, and is tailored to meet country-specific and local demand. In line with our customer focused approach, we changed the way we operate. We have, therefore, transitioned from our standard approach with an assortment and pricing for broad needs across customer groups to a tailored warehouse approach addressing our respective core customer's needs, depending on the specific location. Warehouse formats vary particularly with respect to assortment depth and selling space. Selling space of our warehouses can cover from approximately 1,100 to 22,000 sqm. A large number of our warehouses have a selling space of between approximately 6,500 and 8,500 sqm. In addition, a special smaller urban area store format has been successfully implemented in the recent past, for example, in Paris, Madrid, Rome and Tokyo. With a selling space of up to approximately 3,000 sqm these stores cater to the needs of our key target group of HoReCa customers and primarily offer ultra-fresh and fresh food. Overall, the average sales per square meter sales area for our warehouses amounted to approximately EUR 5,371 / sqm in 2015/2016 (based on Data Warehouse; sales including the revelvant Delivery Sales).

HoReCa-focused warehouses typically have a more prominent focus on fresh and ultra-fresh assortment, stable pricing and a delivery option. For example, in France, we have developed a new smaller city/urban area store layout that specifically addresses the needs of HoReCa customers and offers HoReCa assortment products while focusing on faster buying times and an extended assortment range through an online offering. This store layout is characterized by lower capital and operating expenditures. Trader-focused warehouses generally focus on price leadership, a low cost environment and a specific Trader assortment. In Romania, for example, our Trader-focused optimized warehouses are designed without frills, have a reduced number of SKUs with a focus on dry and ready-to-eat solutions. They concentrate on Trader's needs and focus on price leadership. This store layout is characterized by low capital expenditures and operating expenditures.

The format and layout of our warehouses allow us to carry a broad range of products and to offer an efficient product selection and check-out process, which enables us to provide a

convenient and efficient one-stop purchasing experience to our customers. Many of our warehouses have large dedicated and partially covered parking for the convenience of our customers. We strive to continuously improve our warehouse formats by implementing a number of operational and strategic initiatives which aim to increase store productivity and like-for-like sales. In the recent past, these initiatives included the introduction of a new visual identity, the continuous improvement of the in-store offerings, the roll-out of new product displays, the improvement of visual merchandizing and marketing concepts, the usage of more professional space management and best practice sharing across the countries in which we operate. We also plan to continue to construct truck docking points at our warehouses to make the large order collection and delivery faster and more streamlined.

The selling spaces of our Real hypermarkets generally range from approximately 5,000 to 15,000 sqm with an aggregate net selling space of approximately 2 million sqm as of March 31, 2017. The store layout focuses on our customers' demand for transparency, the right shopping atmosphere and a modern store layout. We have gradually introduced this in many of our hypermarkets since 2013 as part of our Big Bang program designed to make shopping for our customers more attractive and to offer, among other things, a better product assortment at lower prices – especially with regard to ultra-fresh products. As of March 31, 2017, we had remodeled 107 hypermarkets. We believe that the modern store layout will also improve Real's brand profile as a family-friendly retailer that offers good value for money. In addition, in November 2016, we opened a remodeled store in Krefeld, Germany, as a pilot store for our new "food lover's" concept. This hybrid retail concept aims to address the various demands of different retail customer groups, thereby further advancing Real's modernization process. The concept combines Real's core strength of a strong assortment competence with increased service levels and foodservice. Our new hybrid concept offers a combination of a one-stop shopping opportunity with an inspirational shopping experience. For example, in select key product groups defined by us as "destinations" we offer freshly prepared food such as pasta or sushi in our stores, present products combined with services and consulting offerings and further expand digital networking possibilities and offers such as e-coupons and applications. Our first pilot hypermarket operating under this new concept in Krefeld, Germany, is resonating well with customers as we have recorded an increase, both in sales and in Customers Visits, in the period from the reopening until March 31, 2017. We are currently evaluating details of a planned further roll-out of this concept. For more information, see *10.3.2. "— Strategy — Well-defined Strategic Priorities to Drive Future Growth of Real"*.

10.6.2. Warehouse and Hypermarket Portfolio

We review our warehouse and hypermarket portfolio on an on-going basis to systematically enhance our network of warehouses and hypermarkets. For example, during the period from September 30, 2015 to September 30, 2016, we reduced our network by twelve warehouses on a net basis. With respect to our Real segment, we realized a net decrease of 8 hypermarkets in the period from September 30, 2015 to September 30, 2016.

Under the Operating Model for our METRO Wholesale segment, further improving like-for-like growth based on the local value creation plans will be our main focus. Historically, we opened approximately 20 new warehouses per year. Under the Operating Model, we focus on selective new warehouse openings which are planned to generally focus on growth markets (China, Russia and India) whereas in mature markets new warehouses are planned to be opened only very selectively. We strive to actively manage our portfolio of warehouses and hypermarkets and we aim to tailor our new warehouse openings to local needs with a focus on capital expenditures and operating expenditure efficiency.

Our ambition is that this leads to further capital expenditures savings. In India, for example, we are focusing on capital expenditures efficiency in new warehouse openings, both in terms of layout and vendor selection. We believe that this may allow us to significantly reduce our capital expenditures per sqm for new warehouse openings. For example, based on the difference between capital expenditures for a new warehouse opened in India in September 2016 compared to a prior warehouse opened in June 2015, we were able to reduce capital expenditures per sqm by up to 40%, although this example may not be representative for future warehouse openings. We reduced the store layout and removed the mezzanine floor, while optimizing our cooling concept and electrical design. We also changed our vendor

selection negotiations from central to local and one-on-one negotiations, which expanded our vendor list and introduced e-sourcing methods.

10.7. Multi-Channel Offerings

In addition to our warehouse and hypermarket network we also maintain various multi-channel offerings, including among others, particularly FSD, out-of-store delivery and in-store order collection in our METRO Wholesale segment as well as “click-and-collect” options and online shops such as real.de in our Real segment. In 2015/2016, Delivery Sales amounted to approximately EUR 3.7 billion. In the first half of 2016/2017, Delivery Sales increased to approximately EUR 2.1 billion with a considerable share of online orderings.

Our multi-channel approach is focused on delivering a seamless concept with respect to the customer shopping experience across all available channels, *i.e.*, brick and mortar stores, mobile internet devices, computers, and social media. In order to address and track customers, their preferences and shopping patterns through a variety of channels simultaneously, we use a multi-channel approach and offer cross-channel activities. These include, for example, integrated databases for products, prices and promotions, and integrated interfaces linking mobile/online applications, the brick and mortar stores and logistics processes, as well as more efficient marketing tools, to be able to address customers with offers that are particularly relevant to a specific consumer, as determined by purchase patterns, social network affinities, website visits and through our METRO card program.

We believe that, once customers start using several of our sales channels simultaneously, we are able to gain a larger share of wallet with these customers, consequently achieving top-line synergies with our multi-channel approach.

10.7.1. Foodservice Distribution (FSD)

FSD is an important pillar of our multi-channel strategy which we consider to be a major revenue growth driver. In addition to our out-of-store delivery service via our warehouses, we also provide professional FSD solutions in certain regions through dedicated operations such as the Classic Fine Foods group, Pro à Pro group and Rungis express group. We believe our FSD channel can be characterized by professionalized delivery with a dedicated assortment and pricing. We deliver our products from a depot (either a depot-only facility or a depot developed from our warehouse assets).

By offering direct delivery from a distribution center rather than from our warehouses, we are able to offer shorter delivery times by reducing the time it takes to process and load the ordered products at our premises (particularly for larger orders), enhancing product freshness, which is particularly important for our HoReCa customers, and improve the efficiency and quality of our service as we are better able to fulfill customers’ orders in full (thus mitigating the risk of stock unavailability at a warehouse) without adversely affecting our warehouse inventories.

Simultaneously, we aim to leverage the synergies that exist between our warehouse and FSD channels. In particular, FSD is a main channel for our HoReCa customers while it also reinforces recurring relationships. We believe that we are able to gain a larger share of wallet due to the continuing visits of new FSD customers to our warehouses, benefit from significant cross-selling opportunities created by the complementary assortments of the two channels and the existing relationships with our smaller customers via our warehouses which typically upgrade to using FSD as their business grows. Furthermore, we believe that cost synergies can be achieved in sales and marketing, procurement, logistics and general and administrative functions. Especially in relation to our HoReCa customers, our warehouses and FSD channels mutually reinforce each other.

In Italy, where we consider ourselves to be a two-channel HoReCa specialist, we plan to accelerate FSD growth by opening depots in metropolitan areas and using our warehouse assets to build up our out-of-store delivery capacity. In Germany, we plan to leverage existing warehouses and expand our FSD depot network through organic growth, carry out select acquisitions of FSD businesses to gain FSD competence and expand our customer base (see also *10.3.1. “— Strategy — Five Overarching Strategic Value Levers”*). For example, we have transformed excess warehouse area in our Weiterstadt warehouse in Germany into a delivery

depot to service our FSD customers. In the Czech Republic, on the other hand, we aim to develop our out-of-store delivery to an integrated FSD fulfillment model. We want to evolve from an out-of-store delivery to an integrated FSD system based on suppliers distributing products to our captive distribution centers. Products will then either reach the warehouse customers via the warehouses or the FSD customers via our FSD operations.

We offer FSD via our organically grown delivery options through our depots and via FSD businesses which we have acquired such as Classic Fine Foods group, Rungis express group and Pro à Pro group.

10.7.1.1. Classic Fine Foods Group

In August 2015, we acquired the Classic Fine Foods group. Classic Fine Foods is an importer and distributer (premium FSD player) of premium foods and delicatessen headquartered in Singapore, serving high-end hotels and restaurants in Asian Megacities with an expanding presence in the Middle East and Europe. The acquisition complements our wholesale operations with dedicated FSD capabilities. It also provides access to growth and value creation potential in the attractive FSD markets. Classic Fine Foods has a strong market position and exposure to Asian Megacities and the Middle East, partners with various high-end food producers and has excellent customer relationships in the higher margin HoReCa segment.

In recent years, Classic Fine Foods developed new product categories, initiated relationships with new suppliers, entered new geographies, for instance China, and institutionalized best practices in certain areas including procurement, while continuing its growth. Today, Classic Fine Foods' geographic footprint covers predominantly Asian cities (for example, Singapore, Dubai, Hong Kong, Bangkok, Kuala Lumpur, Ho Chi Minh City and Jakarta) and select other large cities, such as London, across 14 countries as of September 30, 2016. Classic Fine Foods specializes in sourcing importation, storage, marketing and distribution of fine food products. The product range includes: premium and niche dairy, meat, pastry, gastronomies, seafood, high quality perishables, condiments, pasta and dry products. By directly distributing international (mostly European) premium brands, Classic Fine Foods serves the daily needs of HoReCa customers. Additionally, Classic Fine Foods serves airlines, supermarket chains and delicatessen stores.

Classic Fine Foods has its own distribution and warehousing network across the cities it serves. This enables Classic Fine Foods to offer highly flexible delivery schedules. Products are sourced and stored through third-party providers and are distributed using Classic Fine Foods' fleet of vehicles or external drivers to meet peak demand. We also expect further synergies from the Classic Fine Foods acquisition which primarily concern procurement and operations.

10.7.1.2. Rungis express

With the acquisition of the FSD supplier Rungis express group in 2016 we further expanded our wholesale delivery business. Rungis express is active in the field of direct delivery of premium food to customers in the HoReCa sector in Germany. In addition to Germany, Rungis express also operates in Austria, Portugal and Spain. In Switzerland, Rungis express operates under the "Fideco" brand and is mainly known in the premium-class gastronomy sector for its fresh fish selection.

Rungis express supplies premium foods and delicatessen with a focus on the fresh and ultra-fresh range, in particular, meat and poultry as well as fish and seafood. In addition, the offering also includes fruit and vegetables, *mise-en-place* products and hand-made fresh pasta. High end gastronomes make up the majority of Rungis express' customers.

We expect to further realize significant cross-selling opportunities from the Rungis express acquisition and to gain further competence in the premium market segment Rungis express addresses. We also strive to further expand our national logistic capabilities and assets and to realize significant synergies in logistics.

10.7.1.3. Pro à Pro

In July 2016, we concluded a sale and purchase agreement concerning the French FSD player for professional customers Pro à Pro group from the Belgian retail group Colruyt group. The

acquisition closed in February 2017. The Pro à Pro group is an important FSD player in France offering FSD to different customer groups including the HoReCa sector. Pro à Pro focuses on major contract caterers as well as canteens in the public and private sector, chained restaurants and independent restaurants. With this acquisition, we have strengthened our French wholesale business in the growth segment FSD and created an additional offering for the French wholesale customers.

Since its foundation in the year 2001, Pro à Pro has grown through various acquisitions from a local delivery operator to a national player with nationwide coverage in the French FSD business. In 2016, it served around 42,000 customers and had a headcount of approximately 1,700 employees, including approximately 170 field service employees which are in direct contact with the local customers. In 2016, the Pro à Pro group generated sales of approximately EUR 688 million based on preliminary unaudited consolidated financial statements for the financial year ended December 31, 2016 in accordance with French GAAP. Its integrated logistics with warehouses, logistics platforms and a larger truck fleet allow Pro à Pro to offer flexible delivery services throughout France. In addition, Pro à Pro also operates in the French overseas departments Martinique, Guadeloupe, French Guiana and La Réunion.

10.7.2. Out-of-store Delivery

We offer an out-of-store delivery service, which enables our customers to place an order in-person at our warehouses or by telephone, fax, email or via our integrated online order platform following which the order is delivered to the customer. Out-of-store delivery offers largely the same assortment that is offered in our respective warehouses and pricing is generally linked to the shelf prices of our products.

At present, our out-of-store delivery is typically subject to a minimum order size which varies by region and we also usually charge a fee for out-of-store delivery, which is often determined as a fixed percentage of the order size.

In order to ensure prompt and accurate product delivery, we generally invest in our order processing and delivery capabilities, including the purchase of our own delivery trucks and the hiring and training of drivers. Investments also relate to our dispatch infrastructure, including the construction of docking platforms at all of our new and some selected existing warehouses as well as the installation of order processing equipment and product delivery software applications.

As our out-of-store delivery operations at select locations grow organically, they gradually develop into FSD operations, see also *10.7.1. "— Foodservice Distribution (FSD)".*

10.7.3. In-Store Order Collection and Transport after Check-Out

Additionally, we offer delivery related services in many warehouses. We offer an in-store order collection service at many of our warehouses which allows customers to place an order by telephone, fax, email, via our integrated online order platform or in-store and to subsequently pay for and collect the ordered products from a store.

In-store order collection is at present also typically subject to a minimum order size which is generally lower for in-store order collection than for product delivery and varies by region. Pricing of products is generally linked to the shelf price and we usually charge a fee for in-store order collection, which is also often determined as a fixed percentage of the order size but lower than the charge for product delivery.

In certain countries, we offer our customers, especially our HoReCa customers, a transport after check-out service. Our customers shop in our warehouses and pick the products themselves. After check-out, they choose a time for delivery and we transport the products directly to our customers, also through third-party transport providers. Our customers generally pay the shelf price and an additional transport fee.

10.7.4. Real Online Retail

Real currently operates the dedicated online shop "real.de". Real acquired Hitmeister.de in 2016, to complement Real's retail business. Customers can opt to have their (non-food) products sent to their home address or any other address in Germany or, without shipping

costs, to any of Real's hypermarkets. In 2015/2016, we generated online sales of approximately EUR 68 million attributable to our Real segment. We plan to further expand our Real multi-channel offerings.

As part of our online strategy at Real, we have recently integrated "Hitmeister.de" marketplace concept into our online platforms, "real.de" which should provide for additional online sales growth potential. Furthermore, we have recently expanded our online shopping options, including the number of SKUs avaible at "real.de" through the recent integration of "Hitmeister.de" and are currently evaluating the introduction home delivery options for our food online shop (currently in a beta test-phase). See also, *10.3.2 "— Strategy — Well-defined Strategic Priorities to Drive Future Growth of Real":*

10.8. Trader Franchise Programs

In several countries, we offer franchise models, including brand alliances, particularly addressing Trader customers. We have a strong portfolio of trader franchising brands including "Freshly", "Odido", "My Mart", "LaDoiPasi" and others. As of March 31, 2017, we counted 4,849 franchise stores in Poland, Romania, Bulgaria, the Czech Republic, Slovakia, Serbia, Russia and China (compared to 5,570 as of September 30, 2016, 5,537 as of September 30, 2015 and 6,185 as of September 30, 2014). The decrease between September 30, 2014 and September 30, 2015 resulted from a decision to optimize our portfolio of franchisees. We believe that the trend towards convenience, proximity and organized trade in certain markets favors a franchising approach to Trader businesses which, among others, may support independent businesses to sustainably compete with retail chains. We believe that we are well positioned with our franchise programs, as we build on strong customer relationships with independent Traders.

The share of sales generated with Trader franchise customers only accounted for a small portion of our sales at approximately 6% of approximately EUR 5,845 million METRO Wholesale sales attributable to our Trader customers. However, data show that the average spending per Trader franchise customer was approximately 4 times as high as per recurring Trader customer in 2015/2016. Furthermore, we have seen a substantial raise in average sales generated per Trader franchise customer to approximately EUR 60,624 in 2015/2016 with a CAGR of approximately 8.9% between 2013/2014 and 2015/2016 (all figures based on Data Warehouse).

We believe Trader franchise programs are an attractive model for countries with large independent trader markets, such as Russia. We are convinced convenience shops show large potential and aim at scaling up our franchise model. We believe that this will allow us to build long-term relations with our large Trader customer base. Our focus in Russia is on large cities and we strive to improve delivery. As of March 31, 2017, more than 200 stores were operating under the "Fasol" brand and franchise model in Russia and we plan to expand this model quickly. On average, we have seen that Trader franchises represented a higher margin contribution, a higher share of wallet and higher monthly sales.

While we contribute to Trader's shop investment and aim to provide them with a differentiated assortment, competitive pricing and promotions, the advantages of a strong brand as well as advice and training, we benefit as well from a recurring revenue stream from our franchise partners. In particular, our franchise contracts which generally run for four years typically include a minimum purchase obligation on our franchise partners, certain franchise fees and a commitment to comply with certain standards.

10.9. Product Range and Assortment

Our broad product assortment is linked to our food expertise. It includes products with a wide range of price points and is characterized by the freshness of our food products, stock availability, and the attractive value for money proposition we provide for our customers. Our warehouses offer a range of approximately 35,000 to 60,000 SKUs (as of September 30, 2016), covering a wide range of price points from entry level to premium. These are intended to satisfy the business and complementary needs of our B2B customers. We locally tailor the products that we offer. Our core food and non-food products are supplemented by seasonal

and other items to meet the needs of our customers and to offer a one-stop purchasing experience. Our Real hypermarkets offer up to approximately 80,000 SKUs (as of September 30, 2016).

We offer branded products of well-known producers as well as own brand products that combine high quality with attractive prices. We also offer certain products of the highest quality and products that are exclusive to our business. Such exclusive products from branded suppliers are generally offered in exclusive package sizes or combo-packages or similar exclusive packaging options.

10.9.1. Food Products

In line with our HoReCa and Trader focus, we have an excellent food expertise. In 2015/2016, our food sales increased by approximately 1.7% on a like-for-like basis (based on Data Warehouse). In the food category, we focus on providing fresh high-quality fruits and vegetables, fish, meat and dairy products, as well as a wide assortment of other food products, especially dry food products, as well as imported and domestic alcoholic beverages. Our food products range from local favorites to imported delicacies. Some of our food products are delivered by air to ensure freshness and avoid freezing these products (for example, lobsters from Massachusetts, crab legs from Kamchatka and fresh fish from France all of which we offer at many of our warehouses), in order to meet the demands of our most discerning customers. We have access to a vast variety of products from across the world via international sourcing.

We classify our food products into four general categories:

- "*ultra-fresh*", which includes fruits and vegetables, seafood and meat with store support;
- "*fresh*", which includes dairy products, frozen products and processed meats;
- "*dry & near food*", which includes canned goods, edible groceries, cereals, sweets, confectionery and other food products as well as detergents, cleaning products, cosmetics and disposable items; and
- "*wine & beverages*" which includes wine, other alcoholic beverages and non-alcoholic beverages.

We offer a broad range of SKUs across dry, fresh and ultra-fresh food products on a global level. Acquired groups such as Classic Fine Foods or Rungis express may offer some products exclusively to certain markets. Our assortment in the individual stores is based on local customer needs.

We believe that *ultra-fresh* and *fresh* food products with a short shelf life, such as fruits and vegetables, fish, meat and dairy products, play a particularly important role in driving customer traffic to our warehouses. In addition, as our B2B customers are able to purchase these products both at our warehouses and from large format retailers (such as hypermarkets), we believe that our assortment and quality of these products provide an effective way to compete in the B2B customer market segment with large format retailers that have similar pricing policies. Consequently, we consider that by increasing the selection of fresh products at our warehouses we can maintain or increase customer traffic as well as increase average ticket size. However, our margins tend to be lower on ultra-fresh food items as compared to dry food and non-food items.

We use "cold chain" inventory management processes to ensure that perishable items stay fresh. This process is designed to ensure that perishable items are kept cold from the time they are delivered to us by suppliers until they are sold.

10.9.2. Non-Food Products

Our tailored range of non-food products is carefully selected to meet the particular needs of our customers. Non-food products sold at our warehouses principally consist of professional kitchen equipment (such as cookware, kitchen utensils, tableware items, and gastro and catering equipment); seasonal products (such as seasonal decoration, outdoor furniture, barbecues and party items); office materials (such as paper, stationery items and office furniture); specialized electrical appliances (such as computer, cash registers and cash

management equipment); and home appliances (such as washing machines and TVs). We also offer a wide range of other non-food products such as cleaning items and equipment, DIY equipment, car accessories and clothes.

10.9.3. Own Brand Products

We offer a wide range of SKUs in our warehouses as part of our own brand product structure, which we regularly evaluate and adapt. In 2015/2016, our share of own brand product sales represented approximately 17% of our external sales (net) of our METRO Wholesale segment on a like-for-like basis (based on Data Warehouse).

By offering a broad range of own brand products we seek to provide our professional customers with a wide assortment of attractively-priced quality products and to increase our customers' loyalty. Some product ranges of our own brand products are designed to provide a complete solution for a particular business segment (such as a hotel or a coffee shop). We have developed our own brand products in close collaboration with customers and suppliers, taking into account thorough market analyses. Our own brand products range from the entry-level price segment to the quality and premium segments both for food and non-food products.

Our own brand products are generally priced at a lower level than similar branded products in our stores. However, we can purchase own brand products at significantly lower prices because the suppliers do not incur marketing and advertising expenses on own brand products and because we can order them in bulk.

The following are our principal own brand product brands offered in our warehouses as of March 31, 2017:

- **Aro** offers a wide range of competitively-priced basic food and non-food products for the daily needs of B2B customers. Aro seeks to offer reliable quality standards and convenient package sizes to match the various needs that our B2B customers may have.
- **Fairline** offers a wide range of competitively-priced non-food products, complementary to our Aro products, also seeking to offer reliably quality standards.
- **Fine Life** offers dry food products, as well as frozen, fresh and ultra-fresh products, and targets professional traders who seek to offer their customers high-quality as well as a large assortment of products and an attractive "value-for-money" proposition. Fine Life has a dedicated product range for traders which includes organic products and regional specialties and offers attractive packaging.
- **H-Line** offers tailor-made solutions for guest areas in hotels, hostels and restaurants. From coffee cream, cookies and juices to tableware, shower gel and shampoo, as well as bed linen and towels, H-Line seeks to offer quality and comfort and provide hospitality professionals with a consistent and affordable high-class look throughout their businesses.
- **Horeca Select** offers high-quality ultra-fresh and fresh, dry food and non-food products catering to the daily needs of professional chefs. Horeca Select products are developed together with cooking professionals and seek to offer strong performance at a price considerably lower than that of comparable brand products.
- **RIOBA** is our own brand for bar and café products. RIOBA seeks to offer premium-quality dry food products and provides a wide product range customized for the needs of bar and café owners. This ranges from fresh coffee and cocktail syrups to matching cups, glasses and napkins. RIOBA aims to offer more attractive prices than other brands offering products of comparable quality.
- **SIGMA** is our own brand for office essentials. SIGMA aims to offer high-quality, attractively-priced and functional products for various office tasks, including furniture, packaging, stationery and printing materials and supplies.
- **Tarrington House** is our brand for household goods such as kitchen appliances, barbecues or party tents. Tarrington House seeks to offer modern design at a convincing price/performance ratio with a high reliable quality.

We are currently streamlining our own brand portfolio and envisage to launch a new own brand architecture in autmn 2017. Whereas we plan to maintain most of our current own

brands, some of our existing own brands will be renamed or replaced with a focus to even stronger define and position our own brands based on clear quality and pricing guidelines and a common and specific communication approach. Based on interviews with customers and in close collaboration with experts, we are particularly developing a new own brand architecture targeting three price/quality groups under the new umbrella brands: METRO Premium (premium food products), METRO Chef and METRO PROFESSIONAL (both of which will primarily cover mainstream food, near-food and non-food products).

In addition, we offer own brand products at our Real hypermarkets under the following own brand brands:

- **real,- Quality** offers customers high-quality food and non-food products at a mid-range price level.
- **real,- BIO** offers a cost-effective alternative brand for balanced nutrition and a natural diet; all real,- BIO products are 100% certified under the EU Organic Production Regulations.
- **real,- SELECTION** offers high-quality premium products at attractive prices.
- **TiP** offers customers everyday products at a discount price.
- **Ohne Namen** which translates to "without name" offers basics in food and non-food at sub-discount prices.

10.9.4. Product Mix Management

We adjust the product mix at our stores to reflect customer preferences in the local market, considering, in particular, the demand of the prevalent customer group, product availability from our suppliers in the area, our ability to deliver products from our distribution centers to the store, and the store size. As a result, the product assortment, both in terms of the types of products and the brands offered, often varies considerably across stores. This is particularly the case between stores in remote locations and stores in other regions. In addition, as a result of this, the share of our own brand products in the product mix is significantly lower at our stores in remote locations compared to stores in areas closer to our distribution centers and/or to our major suppliers.

We carefully monitor and adjust our product mix based on trends in customer preferences and product availability from our suppliers. The assortment of products available at our stores is also regularly reviewed to enhance sales and profitability by removing slow-moving items and adding new items.

We generally use a customer-led category management ("**CLCM**") process to ensure that our product offering is tailored to the needs of our B2B customers and is competitively priced. This process involves a detailed review and adjustment of each product category using our knowledge of customer preferences gained through our METRO card database and integrates relevant market data. We believe this approach builds the foundation for creating a customer relevant assortment architecture and continuously enhancing our product offering and increase our sales and stock rotation. For further information on the CLCM process, see also *10.13.1 "— Suppliers Customer-Led Category Management (CLCM) Process"*.

10.9.5. Quality Control

We have established strict quality control procedures at our warehouses, hypermarkets and distribution centers and regularly monitor the quality of our products and products received from suppliers. Food products are subject to physical inspection by us on arrival at our facilities (including labels and documents, temperature control, conformity of organoleptic characteristics such as appearance, texture, smell, taste and physical-chemical characteristics, etc.). As part of our corporate social responsibility, we have defined basic requirements for a sustainable supply chain. It is therefore important for us to know the social and ecological conditions under which our products are sourced and produced. We consider ourselves to be a global leader in food sustainability by offering ethical and sustainable food products with good traceability.

Food safety is a focal point of our product management and we maintain high standards. Our control processes are based on modern quality management systems. We strongly support the Global Food Safety Initiative ("**GFSI**"), which is aimed at the continuous improvement of food safety management systems to ensure the delivery of safe food products to consumers worldwide. GFSI's activities are focused on developing processes and procedures designed to ensure food safety during all stages of the food supply chain from production to transportation, distribution, packaging and storage. We also request GFSI certification from suppliers who produce and/or deliver our own brand products.

In addition, we seek to adhere to the principles of internationally recognized quality assurance concepts including risk assessments and HACCP (Hazards Analysis and Critical Control Points) to ensure that food products remain fresh and safe at all times. In particular, we use cold chain inventory management processes to keep perishable items fresh. This process is designed to ensure that perishable items are kept cold from the time they are dispatched to our distribution centers or stores (as the case may be) until they are collected by, or delivered to, our customers.

We apply various quality control criteria during the supplier selection process, such as random inspections of production facilities and by ensuring compliance with international standards and applicable legal requirements. We also continue to conduct regular quality control activities in relation to the existing supplier base, which can include periodic inspections and audit of production facilities as well as product quality testing at laboratories of accredited third parties. Our supplier agreements typically contain product safety and quality requirements.

Regional suppliers and producers supply a large share of our food products. We establish supplier development and qualification programs for our regional suppliers and producers to help them meet our high quality and safety standards. The main topics covered in the programs include food safety and hygiene, warehousing, transport and processing. The programs also help suppliers on their way to meet the GFSI requirements and to qualify for an internationally recognized GFSI certificate.

We also conduct quality control inspections at the time of product delivery from suppliers to our distribution centers or stores and when they are delivered from our distribution centers to our stores. We regularly monitor sanitary conditions at our distribution centers and stores both internally and by using the services of accredited laboratories, perform daily cleaning and disinfection activities at our stores and conduct regular training of our staff on quality control related matters.

In addition, we impose strict quality control standards on our third-party transportation and other logistics service providers, which include requirements with respect to temperature, moisture level, sanitary conditions within vehicles and a wide variety of other criteria.

10.10. Additional Value-Added Services

To increase our sales and to improve our customers' convenience, satisfaction and loyalty, we also offer a number of value-added services, such as tailored professional consulting and training programs for our customers designed to help them increase their sales volumes and profitability.

10.10.1. Knowledge Transfer

We offer tailored consulting services and training seminars for our B2B customers designed to help them increase their sales volumes and profitability. For example, through the METRO academies in our local companies, we offer various courses ranging from whiskey tasting to cooking classes and hygiene training targeted at our HoReCa customers. In addition, at our local companies, we also provide training for Trader customers, as well as support programs and customer advisory services. The key objective of these services is to improve the competitiveness of our customers and to establish long-term business relationships with them. We also offer advice and training on customizing and optimizing product assortments, pricing strategies, store layout, marketing strategies and other matters. We implement these programs through a dedicated team of specialists.

Customer managers also provide comprehensive in-store product consulting services, particularly for HoReCa customers who recently opened, or plan to open a new business or enter a new market. Each customer manager is employed by a particular store, although most of our customer managers operate outside our store premises. Our customer managers also offer advice and training on assortment customization, pricing strategies, store layout, marketing strategies and other matters.

Furthermore, we offer food preparation training for HoReCa customers designed to enhance their product offering and increase their profitability. In addition to sharing food preparation knowledge and expertise, these events seek to cover topics such as use of suitable equipment, latest trends in food preparation, quality assurance, fair trade and sustainability.

10.10.2. Digital Solutions

We further strive to digitize our customers' ecosystems by building digital communities and capturing disruptive trends in digital HoReCa. We believe that our strong customer access and our large international presence provide a solid platform for such new solutions.

In particular, we offer a range of IT solutions to our customers, such as a software application that is designed to help them formulate product assortment and pricing strategy, as the software calculates expected profitability levels based on chosen product assortment and pricing strategy. Digitalization of our business also includes online ordering and extended marketplaces. We furthermore offer dedicated digital services and solutions for hotel and restaurant owners as well as catering firms relating to, *inter alia,* reservation, ordering and payment or loyalty programs to enhance the customer experience of our customers' customers. We also offer tools to enhance our customers' efficiency, *inter alia*, relating to inventory, replenishment through application program interface and administration (see also *10.14. "— Innovation Management"*).

We identified that SMEs, which are our core customers, still have a large optimization potential for use of digital tools in their businesses. This is, in particular, relevant for our HoReCa customers. We believe that our digital tools can help improve the experience of our customers and our customers' business performance. As we have a strong reach into the HoReCa market with unique sector expertise and strong relationships we aim to realize significant potential in this regard. Customer reach is hence the most critical success factor for our new digital tools to achieve scale. Digitalization presents a unique opportunity to generate value for our customers and expand and enhance our position.

10.11. Supply Chain Management

We believe that our lean and effective supply chain structure provides us with the following principles:

- high stock availability and low stock shrinkage due to efficient inventory management;
- volume discounts and favorable credit terms due to the use of a centralized purchasing function;
- reduced purchasing and storage costs across regions due to the use of in-store and own warehouse facilities; and
- reduced stock shortages in stores due to the use of an automated stock replenishment system.

We understand supply chain management as an end-to-end function consisting of the three key areas demand, stock & order management, distribution and transportation, as further described below. Our focus in certain growth markets is also on establishing supply chains to be able to provide our customers with products that other players may not be able to source.

10.11.1. Demand, Stock & Order Management

We generally assemble planning related activities within our demand, stock & order management as we believe centralized management allows for flexible reactions to volatile

demand and enables us to better ensure product availability. We also intend to roll out forecasting expertise and tools to reliably predict demand across the various assortment types and customer groups. For our demand, stock & order management, we also gather other information, such as, for example, historical sales data, business intelligence and our assessment of the reliability of suppliers.

We generally use an automated stock replenishment system to monitor and manage inventory levels in our warehouses and hypermarkets efficiently. This system automatically creates order proposals and submits orders either to our suppliers, distribution centers or store-based hubs. Selected warehouse and hypermarket head office employees may make adjustments to the automatic orders when necessary.

We seek to maintain a high stock availability while managing our inventories efficiently, and use these metrics as principles when evaluating the performance of our store managers and head office employees responsible for inventory management. We also intend to use our data assets more efficiently for a better inventory management, see *10.5. "— Customers".*

10.11.2. Distribution

Overall, our logistics network consists of three key types of delivery depots: main distribution centers, smaller distribution centers and regional store-based hubs, which are mostly owned and operated by third parties, except for Germany and Russia, where we manage distribution centers/hubs ourselves. Globally, we maintain 79 delivery depots as of March 31, 2017.

In the aggregate, our 12 German delivery depots (including distribution centers and store-based hubs) had a storage area of approximately 544,000 sqm, the packaging units amounted to approximately 360 million per year and the delivery readiness (which we define as those deliveries which were on time compared to all deliveries at the receiving warehouse or hypermarket) was approximately 98%, in 2015/2016. Our store-based hubs are used to support other stores in a region (as some suppliers will only deliver products to selected cities) or to enhance transportation logistics. Products are delivered to store-based hubs by our suppliers for subsequent delivery by us to other stores in the region.

We consider further modernization of our distribution network as an important pillar for our future success, in particular, with respect to our strategy to further expand our FSD and delivery businesses. In Germany, for example, we have planned modernizations to our logistics system to even better meet the needs of the business and logistics strategies of METRO Cash & Carry Germany and Real in the future. Consequently, we are currently integrating three new distribution centers into our logistics network and have extended the use of one existing location. In the near to medium term, seven distribution centers in Bingen, Essen, Frechen, Gimbsheim, Gernsheim, Kamen and Unna are planned to be phased out and their capacities shall gradually be performed by three new locations: one in Kirchheim an der Weinstraße and two separate distribution centers in Marl.

10.11.3. Transportation

We mainly use third-party transportation service providers for product delivery to our distribution centers and stores from selected suppliers (in the area of procurement logistics) that do not provide product delivery services (procurement logistics) and from our distribution centers and store-based hubs to our stores (distribution logistics). In some countries we also use own or leased trucks and drivers. This is mainly for short distance procurement logistics and distributions logistics while large and long-distance orders are generally contracted to third-party transportation service providers. We usually contract with our transportation service providers directly.

To reduce supply chain costs and enhance our distribution logistics we seek to increase the proportion of products delivered to our stores from our distribution centers and store-based hubs when this is the most cost-effective option. In many assortments, indirect deliveries via our distribution centers and store-based hubs account for the majority of our procurement and distribution logistics.

For product delivery to customers, we use our fleet of owned and leased small trucks as well as third-party providers. For large and long-distance orders we also typically engage third-party transportation service providers.

10.12. Marketing, Advertising and Customer Relationship Management ("CRM")

Our marketing and advertising strategy as well as our CRM initiatives all aim to increase brand awareness, brand preference and relevancy for our customers. Various forms of customer communication help to increase customer loyalty and strengthen customer relationships, to attract new customers within our current markets and to facilitate entry into new markets with the establishment of new facilities. Our approach to increasing customer loyalty is primarily based on capturing changes in customer requirements and preferences, changes in customer spending and, more generally, changes in customer behavior. In response to the evolving needs of our customers we adjust our product mix, the display of products on shelves and the availability and range of special offers as well as communication with our customers. To better understand the needs of our customers we also conduct customer surveys in the regions in which we operate, which allows us to identify local preferences.

An important tool in our customer lifecycle management for our METRO Wholesale segment is the extensive customer card program with more than 65 million active METRO cards as of September 30, 2016 (based on Data Warehouse). Our METRO cards enable us to track essentially all of our customers' purchases, to customize marketing and promotional activities to customer needs and to produce highly-tailored product assortment offers.

Our marketing activities in the METRO Wholesale segment mainly comprise (i) brand communication like billboard advertising, (ii) bi-weekly distribution of publication and our product and competence catalogues to our customers via digital channels and print as well as *ad-hoc* mail distribution of other promotional leaflets or vouchers which are personalized or provided in connection with seasonal or other offers, (iii) radio campaigns, (iv) Internet (including search engine) advertising, (v) in-store activities, such as radio announcements regarding various ongoing promotional activities, lotteries and dissemination of catalogues and leaflets, and (vi) participation in trade fairs and similar events.

A systematic data-driven customer marketing with an across all communication touchpoint and a lifecycle management with dedicated measures to first win new customers, secondly activate, retain and develop existing customers, and, if necessary, lastly re-activate and win back former customers is at the core of the CRM strategy of our METRO Wholesale segment. In this regard, we believe that the effective utilization of our centralized Data Warehouse and increasingly many more digital data sources is integral to our business, as these enable the optimization and educated decision-making across our organization and facilitates the interconnectedness of our business model across all channels. We maintain capabilities, capacity and tools for gathering and analyzing large amounts of data generated, among others, through our METRO card system (see also *10.5. "— Customers").*

In addition, we have a dedicated team of customer managers who seek to identify and attract new customers. They also undertake various marketing and other activities aimed at maintaining and developing relationships with our existing customers. Our customer managers meet with existing and prospective customers both in our warehouses and at our customers' places of business. Our key customers have dedicated customer manager contacts. In addition, our customer managers offer tailored professional consulting services and training seminars for our customers which are designed to help them to continuously improve relevancy for our customers and thereby increase sales volumes and profitability (see for training *10.13.1.* "*— Customer-Led Category Management (CLCM) Process"*).

In our retail segment, Real is a founding member and long-term partner of the Payback bonus scheme, which offers paper coupons as well as e-couponing and allows us to gain comprehensive insights into the shopping behavior of our Real customers.

10.13. Suppliers

We purchase most of the products we offer through centralized purchasing departments from international or national suppliers. We also purchase some of our products from regional suppliers or producers (principally ultra-fresh and fresh food items, commoditized products and beverages) and import certain products (mainly non-food items).

We have a diversified supplier base with longstanding supplier relationships which, to a significant extent, are based both on local and global collaborative approaches. We believe that this allows for consistent availability and the innovation of products.

10.13.1. Customer-Led Category Management (CLCM) Process

We generally use a CLCM process to manage our product assortment. This process involves a detailed review of each product category to ensure that the underlying product offering meets prevailing customer requirements and remains competitive. Following the results of this review and our analysis of volume requirements based on previous periods, we assess our procurement needs and commence discussions with our suppliers regarding our product supply requirements. With respect to branded products, we usually conduct annual negotiations with our suppliers regarding the types and volumes of products that we expect to require. In relation to commodity and most of the own brand products, we prepare detailed product assortment specification requirements, following which we analyze expected availability and capacity levels of producers and select suppliers based on capacity and the attractiveness of the expected price to quality ratio.

Our category management departments and the offer management directors (who are responsible for our entire product assortment) meet periodically to review the product assortment within our product categories. The selection of our suppliers is made by our category management departments under the supervision of our division managers who are assigned to specific product categories. These parties meet regularly to review the product assortment and supplier base.

We obtain a large proportion of our ultra-fresh and fresh food products from regional suppliers or producers. We seek to increase the percentage of regionally sourced products with a view to enhance our product offering and the efficiency and profitability of our operations. We also benefit from a diversified supplier base, a centralized purchasing system and an efficient in-house logistics system. The continued expansion of our business operations should further increase our penetration of local food markets, which we believe will further enhance our purchasing economies of scale. Particularly, to assure permanent quality of our regional supply, we offer proprietary training courses and qualification programs to our suppliers and producers to help them meet our high quality standards. The main topics covered in the training include food safety and hygiene, warehousing, transport and processing.

As of March 31, 2017, we also operated four trading offices worldwide which bundle the sourcing of specific assortments and focus on product expertise for the procurement of the respective ranges. The Valencia trading office, for example, is responsible for sourcing fruits and vegetables while the Concarneau trading office, which has taken over the sourcing of our recently closed Boston trading office, focuses on sourcing of fresh and frozen seafood. Our trading offices are staffed with product experts and allow for direct trading with producers.

10.13.2. Terms and Conditions of Contracts with Suppliers

Purchases made from certain larger, mostly international suppliers or branded suppliers are made pursuant to local agreements. However, they may be supplemented with global service-based agreements negotiated with selected dry/fresh food and non-food suppliers. Purchases made from other suppliers are made pursuant to agreements entered into between ourselves and the relevant suppliers. In general, we aim to use a standardized supply contract with an indefinite term. We typically review and re-negotiate (if needed) the terms of our contracts with suppliers on an annual basis. From some suppliers we collect bonuses for meeting certain sales targets as well as fees for services we provide to suppliers, such as in-store promotions and other activities. We also provide our suppliers with various marketing and information collection services for a fee.

We typically use tender processes to select our own brand product suppliers. Our own brand supply agreements normally contain more detailed specifications with respect to product requirements and preparation as compared to our other supply contracts.

10.13.3. Buying Co-operations

We have selectively entered into buying co-operations to benefit from synergies and reduce procurement cost. We intend to secure and strengthen the competitiveness of our procurement through these buying co-operations. For example, for Real and certain purchasing volume of METRO Cash & Carry Germany, we co-operate with Retail Trade Group (RTG) since 2017, which replaced Real's former co-operation with Privates Handelshaus Deutschland (PHD) on pooled purchases. Since 2015, we have been co-operating with MARKANT Handels- und Industriewaren-Vermittlungs AG for both our German wholesale business and Real business regarding the settlement of our commodity trades. See also *11.3. "Material Contracts — Other Material Contracts"*. Since 2014, we also co-operate with the Auchan group with respect to national and international purchasing and procurement.

10.14. Innovation Management

We do not produce our own products and therefore do not, strictly speaking, conduct traditional research and development. When it comes to innovation management we concentrate more on pursuing the objective of fuelling our transformation within a world that is constantly reinventing itself.

Both our sector and our customers currently find themselves in a profound transformation process, which is being driven, in particular, by mega-trends such as digitalization and social change. These trends have a great impact on the way our customers live, work and consume. Our aim is to support our customers during this process, to become a relevant partner for them and to adapt to external changes with them. In particular, in order to successfully shape wholesale in the future, we aim to offer our customers added value and involve them more closely in our business.

In the course of this process, digitalization, social change, urbanization and sustainability were identified as the most important trends that will most strongly influence our customers. At the same time, our aim is to increase the customer benefit as best we can, and thereby ensure that price is no longer the only decisive factor. Instead of merely facilitating access to products, we wish to involve customers, further personalize our offers, network with our customers and, in the best case, collaborate with them.

In the course of 2014/2015, the area of "Horeca Services" was added to the existing innovation fields. This new field concerns the introduction of digital services and solutions for hotel and restaurant owners as well as catering firms. The digital services market for this group of customers is still relatively unoccupied. At the same time, there are many young entrepreneurs who offer digital solutions but are unable to implement them in their own business models or at a larger scale without support. We see considerable potential in this area and therefore created the new focal area of Digital Horeca. The goal is to provide our HoReCa customers with digital tools that enable them to grow more quickly and more easily manage their processes.

Another aspect of our innovation management is positioning our Group as an interesting and reliable partner for startup businesses. Our aim is to foster collaboration with business founders and young entrepreneurs as well as to strengthen and support start-up structures in general. In these regards, we have provided financial and content-related backing for several events. One example of this is a series of events titled "Innovation in Retail Meetup", through which we have created a platform for an exchange between innovative business start-ups in the retail and foodservice sectors. At the past gatherings in Dusseldorf, business founders presented their ideas and business models and subsequently had the opportunity to network with other founders, experts and our representatives. There, valuable contacts were established, which have already resulted in start-up businesses having been able to implement pilot projects within our sales lines. Examples of this are initial test activities with Instagram printing stations and terminals at our warehouses.

To offer our customers new services and technologies in the future, we also launched the "METRO Accelerator powered by Techstars" in the course of 2014/2015. This new support and development program is undertaken jointly with the US-American company Techstars, an internationally renowned start-up network, as well as the digital agency R/GA. The METRO

Accelerator powered by Techstars is targeted at business founders with innovative technological applications for the foodservice, hospitality and catering sectors. The program provides experienced mentors and experts to support selected start-up enterprises in successfully developing their business during a period of three months. During this program phase, the business founders also work closely with representatives of our national Cash & Carry subsidiaries on an initial pilot project. As part of our digital business development co-operation with Techstars, we strive to identify solutions which capture value for our customers. We also aim at developing solid business models with a small initial investment followed by investments from venture capital funds. In the future, we intend to also gradually intensify our "go to market" support.

Besides our digital business development, we also roll-out and scale further advanced solutions. We support advanced business models that provide proven value creation for SMEs with a dedicated sales effort. We aim at creating additional value based on the data obtained and focus on seamless connectivity with our business through our application program interface where appropriate as well as on achieving interoperability between modules.

We are also intensively working on serving customers as a partner in their everyday working lives. One of the goals is to provide HoReCa customers with increased support for digitalization processes. To this end, we entered into a strategic partnership with the online job network Culinary Agents as part of our investment into further advanced digital solutions in 2014/2015. This US-American start-up works with a self-developed, dynamic technology that directly connects talents with businesses. The network also offers tools for the selection and management of applicants and communication with them. With our participation in Culinary Agents we offer our HoReCa customers an added service for their day-to-day business success.

Innovation management also has an impact on the cultural change within the Group. The emphasis in this regard is on fostering the understanding that the Group must constantly and ever more quickly reinvent itself to cope with the digital age. The aim is to remove the fear of change and create an understanding that everyone can and must play a role in shaping change. As a first step towards achieving this, we have created a series of workshops designed to familiarize employees with innovative topics in an easily accessible way. With our internal social network UNITED, we have also created a new communication and interaction platform in 2015/2016 that enables employees to network efficiently with one another and work together across national boundaries on the development of ideas.

Furthermore, Real is offering its customers new payment systems. These include self-checkouts and cash registers equipped with wireless near field communication (NFC) transmission technology. Also, from October 2014 to January 2015, we tested a new multi-channel concept in the course of a three-month, multiple-sales-line project in co-operation with Ebay and Paypal. Customers were able to test and experience this form of shopping in the "Inspiration Store" located in the Weserpark shopping mall in Bremen. On a sales area of approximately 200 sqm various technologies from a number of producers and service providers in the field of online and offline shopping were used in innovative combinations. This included, among other things, QR code shopping as well as payment methods such as payment using the Paypal app. The goal of the project was to gather further experience in the field of multi-channel retail. In addition, we are working closely with Cash & Carry China to offer German products on the Asian e-commerce platform Tmall. Tmall is a subsidiary of the Alibaba group and is China's third-largest e-commerce platform for brands and retailers. Within the scope of this test project, the Real sales line is, among other things, delivering own-brand products to China. We believe that the large market and the generally strong demand for German products in China offer major growth potential in this field.

10.15. Social Corporate Responsibility

We see ourselves as a member of society and strive to create value for it. Our Group has the responsibility to go beyond strictly legal requirements in reconciling our economic goals with the needs of society. At the same time, we have to respect the limits imposed by the environment. We believe that this enables us to act today with tomorrow in mind. For our business activities this means creating added value while simultaneously reducing any detrimental effects. Strategically integrating the notion of sustainability in our core business is an important requirement to meet our high standards for sustainability. We aim to provide

sustainability solutions and expertise to our customers. On the one hand, we ensure this through our sustainability board and its bodies. The sustainability board consists of the director responsible for sustainability, the CEOs of Cash & Carry and Real and the sustainability managers. On the other hand, we pursue this integration by adapting relevant business and decision-making processes and by changing our individual conduct. After all, this subject can be driven by top management but must also be implemented by everyone in the MWFS Group. We focus our commitment to sustainability on the parts of the value chain and our points of contact with society where our influence on sustainability-relevant processes is the greatest. The value chain includes the main areas procurement, assortment building and sustainable consumption. We have developed approaches to each of these areas to address their specific sustainability challenges.

In procurement, production and processing it is important for us to know which resources and raw materials are used to manufacture the products we offer and under which social and ecological conditions this is done. When managing these aspects, we refer to our policy for sustainable purchasing, which applies throughout the Group and to our products. With this policy, we have defined the basic requirements for a sustainable supply chain and procurement management system. By devising and implementing such guidelines, we strengthen our procurement channels and contribute to improving the sustainability of our products. We also focus on the prevention of waste and recycling to reduce the environmental impacts. Simultaneously, we intend to comply with high quality and hygiene standards as expected by our customers and provide traceability solutions for critical food resources such as, for example, fish.

We take responsibility for protecting the climate and resources in those segments of the supply chain in which we can exert a direct influence. This ranges from warehousing, refrigerating and transporting products to operating our stores and back offices. We strive to reduce climate relevant emissions related to our commercial operations and employee behavior and to reduce our use of resources. We also operate certain dedicated "green stores", for example, in Italy and China which have a special emphasis on climate protection. With regard to transport, business travel, warehousing and stores, our overriding aim is to reduce our specific greenhouse gas emissions by approximately 50% from the 2011 level by 2030. The climate protection target refers to emissions that are central to our activities as a wholesaler and retailer and that we can directly influence. These include, for example, emissions from the use of electricity and heating energy as well as those caused by refrigerant loss and paper consumption. The climate data of our sales lines are verified by an independent auditor applying the internationally accepted Standard ISAE 300. Furthermore, we aim to reduce food loss at our warehouses and hypermarkets by 50% in 2025 and reduce waste in general as part of our responsible resource management. We operate best practices to avoid food waste through the supply chain.

We ensure transparency through direct working relationships with our business partners and via the innovative technical solutions with which the individual stages of the value chain can be traced. To provide better customer orientation we also use labels that certify products according to specific quality or sustainability standards. In addition to this, we introduce health promoting formulations, provide specially prepared information in our stores and interact with our customers, for example, on food waste reduction and solutions. In this way we support and encourage our customers to consume responsibly.

Our future viability greatly depends on our workforce's ability to react quickly and flexibly to changing conditions and customer requirements. We reflect the diversity of our customers and business partners by supporting a company culture of multidimensional diversity and inclusion. In the competition for the best specialists and managers, our sustainable personnel policy gives us what we believe to be a number of key advantages, including systematic management staff development and training, including our own sustainability leadership program. Our training programs are overseen by our own top management as well as by external partners such as the *Institut Européen d'Administration des Affaires* (INSEAD) in France and the London Business School in the United Kingdom.

As the engagement of our employees is a key driver to the success of our business, we aim to create and preserve an attractive, fair and secure work environment. We established principles of fair working conditions and social partnership which implement the requirements of the

International Labour Organization (ILO). Moreover, we pursue a safety management which ensures a healthy work environment and strives to reduce accidents and occupational diseases. We also promote diversion and inclusion in our Group.

We also aim to live up to our responsibility as a corporate citizen with diverse voluntary social and environmental efforts globally throughout our Group. Sustainability performance is also a component in the long-term incentive schemes for our senior management, see also *15.2.3.3. "Governing Bodies — Management Board — Compensation and Other Benefits; Share Ownership — Fixed and variable compensation*".

10.16. Information Technology

We operate IT systems to support all major aspects of our business, including in-store systems, logistics systems, smartphone apps, websites and systems for accounting, human resources management and decision support. The systems provide for the timely exchange of information between our stores, distribution centers, store-based hubs, regional offices and the head office. This information includes, for example, so-called master data on products and customers, transactional data (such as real-time access to information on sales and inventory) and detailed reports for each store at the close of business every day, as well as periodic profitability reports. Our IT systems also support our product delivery service and e-commerce operations. We believe that the systems enable management to make efficient pricing and inventory management decisions, facilitate our budgeting and financial reporting processes, standardize our operations across our store chain and automate many of our ordinary course transactions with suppliers.

The systems are selected on the best-of-breed basis using several solutions for certain aspects of our IT landscape. Therefore, our IT landscape consists of industry standard software packages and self-developed applications. We have a professional IT organization which is implemented both centrally and locally that improves, maintains and supports our systems.

10.17. Intellectual Property

Our portfolio of registered intellectual property rights consists of trademarks and design rights. Moreover, we possess several domain names. Most of the trademarks and designs, including the "METRO", "makro" and "real,-" brand names and own brands are registered with our subsidiary MIP METRO Group Intellectual Property GmbH & Co. KG, Dusseldorf, Germany. Almost all trademarks are licensed by way of intra-group license agreements to other Group companies. A large amount of domains and one patent are registered in the name of METRO Systems GmbH.

10.18. Employees

The following table shows the average number of our employees (headcount, including trainees and excluding temporary employees, employees on parental leave, in military/civil service and excluding members of management boards) for the financial years ended September 30, 2016, 2015 and 2014:

	Financial year		
Headcount by function	**2015/2016**	**2014/2015**	**2013/2014**
		(audited)	
Employees (Blue collar / white collar)	153,442	161,349	168,260
Apprentices / Trainees	3,410	4,055	4,974
Total	**156,852**	**165,404**	**173,234**

The following table shows the average number of our employees (headcount, including trainees and excluding temporary employees, employees on parental leave, in military/civil service and excluding members of management boards) for the financial years ended September 30, 2016, 2015 and 2014, broken down by geographical area:

Headcount by geographical area	Financial year		
	2015/2016	2014/2015	2013/2014
	(unaudited, unless otherwise indicated)		
Germany	58,201	59,852	60,626
Western Europe (excluding Germany)	27,817	28,697	29,776
Eastern Europe	50,512	54,040	59,653
Asia	20,322	22,815	23,179
Total (audited)	**156,852**	**165,404**	**173,234**

The following table shows the average number of our employees (headcount, including trainees and excluding temporary employees, employees on parental leave, in military/civil service and excluding members of management boards) for the financial years ended September 30, 2016, 2015 and 2014, broken down by segment:

Headcount by segment	Financial year		
	2015/2016	2014/2015	2013/2014
	(unaudited, unless otherwise indicated)		
METRO Wholesale	110,519	117,497	121,055
Real	36,598	38,063	42,822
Other	9,735	9,844	9,357
Total (audited)	**156,852**	**165,404**	**173,234**

In the financial year 2015/2016, we employed an average number (FTE) of around 10,000 temporary employees. We primarily use temporary employees to meet the demands of business during peak trading periods, in particular, during the pre-Christmas and Christmas season.

Since September 30, 2016 and as of the date of the Prospectus, there have not been any material changes in the number of our employees.

We believe we have a highly engaged team, as an employee engagement service based on Aon Hewitt methodology shows an increasing and above industry average employee engagement; see also *10.2.3. "— Competitive Strengths — Fully Focused on Customer Value with Highly Engaged Teams".*

We are members of different employer's associations in various countries. In Germany, for example, MWFS and Real are members of the "Handelsverband Deutschland e.V." ("**HDE**").

We are subject to various national or regional collective bargaining agreements. Most of our employees in Germany are covered by different collective bargaining agreements as Real, and different subsidiaries of our wholesale business in Germany each apply different collective bargaining agreements. We are currently in negotiations with ver.di about a long-term solution to secure competitive wage levels for our retail business (see also *1.3.12. "Risk Factors — Risks Related to our Business Operations — We are exposed to the risk of rising labor costs which might negatively affect our profitability."* and *10.3.2. "— Strategy — Well-defined Strategic Priorities to Drive Future Growth of Real"*).

The German employees are represented by works council members endowed with extensive participation and co-determination rights with regard to personnel, social and economic matters. Pursuant to the German Works Council Constitution Act *(Betriebsverfassungsgesetz,* BetrVG), the members of the works council must be consulted prior to any planned termination of an employment contract; furthermore, their consent will be required for recruitments, job gradings and re-gradings and transfers. In addition, they have co-determination rights in other areas, in particular, social-security issues (for example, rules of conduct). The co-determination rights of the employee representatives outside Germany are based on the applicable national laws and regulations. In particular in Western European countries, works councils or comparable employee representation bodies exist based on European or national legislation. Varying by country, these bodies are legally to be informed and consulted in case of organisational changes or collective employee arrangements, however not comparable to levels of co-determination as provided by German law. In Asian countries, we do not have works councils. If there are unions in these countries, in most cases they have regular dialogues with local management.

There are several agreements (*Betriebsvereinbarungen*) with works councils in Germany – either negotiated with the local works councils or concluded as central works agreements (*Gesamtbetriebsvereinbarungen*) applying to employees of the respective entity, which have entered into these agreements. In addition, group works agreements (*Konzernbetriebsvereinbarungen*) have been negotiated as well, applying to all employees in Germany. Following the Demerger, the works agreements will be transferred accordingly. These agreements concern, among others, working hours, time recording, break regulations, opening hours, house rules, video surveillance, IT-systems, work clothes, on-call-service, the use of temporary workers, personnel monitoring, home office as well as parking regulations.

On occasion of several structural interventions, the METRO Group concluded various balancing of interest agreements (*Vereinbarungen zum Interessenausgleich*) and provided different social plans (*Sozialpläne*) for its German employees. Balancing of interest agreements are mutual agreements of employer and works councils concerning content of individual measures protecting employees' rights. Social plans are mutual agreements of employers and work councils regarding compensation of economic disadvantage occurred by the implementation of the measures, especially in case of dismissals. These agreements concerned, *inter alia*, changes resulting from the Operating Model.

In Germany, many employees are members of ver.di. Our employees in several other countries are also members of trade unions. We have been subject to token strikes and other strikes in Germany and in other European countries in the past. For example, Real has been affected by strikes in the past. We believe that we generally have a good relationship with our employees and the representatives of operational co-determination, see also *1.3.13. "Risk Factors — Risks Related to our Business Operations — Any deterioration of our relationships with our employees, the trade unions and employee representatives may result in a material adverse effect on our business, and work stoppages, strikes or other collective actions might negatively affect our profitability."*.

As part of the employment compensation package, we provide different retirement benefit arrangements or similar benefits. (see also *8.8.7.5. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations — Financial and Other Liabilities — Provisions for Post-employment Benefits Plans and Similar Obligations".*

10.19. Real Estate and Leases

As of March 31, 2017, 420 of our 751 warehouses were owned while the remaining 331 were leased (whereby ownership includes leaseholds and hereditary building rights in those local jurisdictions where such leaseholds or hereditary building rights are substitutes for legal ownership). Of our 282 Real hypermarkets in Germany as of March 31, 2017, 64 were owned while the majority (218) was leased. As of March 31 2017, land and buildings had a book value of EUR 5,177 million (including finance leases). We therefore believe to have a strong real estate underpin; *10.2.6. "— Competitive Strengths — Sound Financial Profile with Substantial Real Estate Underpin"*.

The decision to purchase or lease a land plot for new facilities is typically made on a case-by-case basis, taking into account a variety of factors including availability, cost of land plots in the area and the applicable tax regime. As of September 30, 2016, we had an overall ownership ratio of approximately 47%, with an ownership ratio of approximately 56% for our warehouses and approximately 22% for our hypermarkets (based on the number of warehouses and hypermarkets). In Germany, our overall ownership ratio as of September 30, 2016 was at approximately 19% and ownership ratios in Western Europe, Eastern Europe and Asia were at approximately 39%, 87% and 54% respectively. We believe that our high degree of ownership of warehouse and hypermarket premises and underlying land plots allows us to enhance control over the cost structure of operations-related assets, *i.e.*, by protecting ourselves against rising property rental rates, giving us greater stability of our operations by securing warehouse and hypermarket locations over longer terms, and providing the strategic perspective and opportunities to create value through our own project developments. Ownership of warehouses and hypermarkets also gives us greater flexibility in designing and changing the layout of our warehouses and hypermarkets without the necessity to seek permission from third-party property owners.

In some locations, to utilise our warehouse or hypermarket area more efficiently and offer additional convenience to our customers, we rent out space in our warehouses or hypermarkets to third parties such as pharmacies, cafes and dry-cleaning companies or to banks for the installation of cash machines. In addition, we are implementing a shop-in-shop concept in certain countries, including Russia and Belgium, where CE Group companies rent certain areas within certain of our warehouses to offer an agreed range of consumer electronic products. Rent agreements with respect to shop-in-shop co-operations typically include certain variable rent components such as net turnover and certain stipulations on exclusivity and competition.

Furthermore, we are equal party to a joint venture which is specialized in center management for retail parks and shopping mals in Germany.

10.19.1. Real Estate

In addition to parts of our warehouse and hypermarkets network, we also own certain other facilities such as office buildings (for example, parts of our headquarters located in Dusseldorf), depots and other logistics facilities predominantly for providing administrative, IT, supply-chain- and other service functions supporting our METRO Wholesale and Real segments.

The following table provides an overview of our major real estate holdings other than our warehouse and hypermarket network relating to offices or headquarters as of September 30, 2016:

Site	Approximate Size	Ownership/Lease[1]	Primary Use
METRO Campus	76,296 sqm	Ownership	METRO Headquarters
Albertussee	29,665 sqm	Ownership	METRO Properties Headquarters
Moscow	19,418 sqm	Ownership	MCC Russia Headquarters
Saarbrucken	9,540 sqm	Ownership	METRO Properties offices
Reyerhutte	9,511 sqm	Ownership	Real Headquarters
Monchengladbach II	9,085 sqm	Ownership	Real Headquarters
Hannover-Linden	6,430 sqm	Ownership	Real offices
Carnaxide	4,780 sqm	Ownership	MCC Portugal Headquarters
Almaty Headquarters	2,521 sqm	Ownership	MCC Kazakhstan Headquarters

[1] Ownership generally does not include leaseholds or hereditary building rights unless such leaseholds and hereditary building rights are substitutes for ownership in the relevant local jurisdiction.

The following table provides an overview of our major real estate holdings other than our store network relating to depots as of September 30, 2016:

Site	Approximate Size	Ownership/Lease[1]	Primary Use
Hörselgau	159,218 sqm	Ownership	BLG Sports & Fashion Logistic GmbH
Noginsk	79,020 sqm	Ownership	MCC Russia logistic location
Altlandsberg	69,708 sqm	Ownership	METRO Logistic
Hamm	50,775 sqm	Ownership	METRO Logistic
Erfurt	24,803 sqm	Ownership	Galeria Kaufhof GmbH (hazardous goods storage)
Duiven ICN	16,121 sqm	Ownership	MCC Netherlands logistic location
Berlin	8,014 sqm	Ownership	MCC Germany logistic location

[1] Ownership generally does not include leaseholds or hereditary building rights unless such leaseholds and hereditary building rights are substitutes for ownership in the relevant local jurisdiction.

Our real estate portfolio is mainly unencumbered because negative pledge provisions in recent METRO financing programs did not foresee financing secured by mortgages. The total nominal amount (based on the volume of indebtedness at the time of registration of the respective encumbrance) of indebtedness secured by third-party encumbrances on the real estate property held by us was approximately EUR 60 million as of September 30, 2016. The following table lists the material third-party encumbrances on the real estate property held by us as of September 30, 2016:

Borrower	Type of Security	Total Nominal Amount of Secured Indebtedness (in EUR million)[1]	Termination of Secured Indebtedness
Landesbank Baden-Württemberg	Mortgage (*Grundschuld*)	39.3	Less than 5 years
Landesbank Rheinland-Pfalz	Mortgage (*Grundschuld*)	5.4	Partially more than 5 years
Hypothekenbank Essen................................	Mortgage (*Grundschuld*)	4.6	Less than 5 years
Kreissparkasse Böblingen	Mortgage (*Grundschuld*)	3.3	Partially more than 5 years
Süddt. Bodencreditbank AG, München........	Mortgage (*Grundschuld*)	2.4	Less than 5 years
Stadtsparkasse Hannover	Mortgage (*Grundschuld*)	2.0	Less than 5 years
Süddt. Bodencreditbank AG, München........	Mortgage (*Grundschuld*)	1.7	More than 5 years

1 In each case based on the volume of indebtedness at the time of registration of the respective encumbrance.

As of September 30, 2016, the outstanding volume of indebtedness secured by third-party encumbrances amounted to EUR 35 million.

10.19.2. Real Estate Development

Within our Group, METRO PROPERTIES GmbH & Co. KG together with METRO PROPERTIES Gayrimenkul Yatirim A.S. (Turkey) and METRO Properties Sp. z o.o. (Poland) are responsible for the three key functions of our integrated real estate management: (i) asset management, (ii) project development, (iii) center management and (iv) real estate transactions.

Our real estate management is based on a long-term life-cycle management approach with a focus on project development for single assets to medium sized portfolios. Dedicated teams are responsible for the business management of undeveloped land and commercial properties. Our strategy is to continuously improve the quality of our assets to best serve the needs of the METRO Wholesale and Real segments, that means, to improve our wholesale and retail operations, and to achieve an attractive market price through the increase of real estate values if a divestment appears beneficial. We follow a value maximizing divestment policy depending on the real estate cycle. In contrast, technical operations are generally integrated in our wholesale and retail operations. Also, in certain regions, real estate development projects form an essential basis for expanding our warehouse network. In such regions, we may often be required to develop an extended area based on a mixed-used scheme. This does not only include dedicated space for our warehouse but also captures retail, office and residential space. Through the development of a whole area we may realize additional value improvements while also managing costs.

An example of a recent property development project is our warehouse in Wuhan, China, which has been operating successfully since 2001. The site is located in a fast-developing residential and office area. We have designed a project development plan optimizing the zoning potential of the location. This had a significant impact on the sales price (we achieved an approximately nine-fold increase in the book value of the location and an increase in the market value of the location by a factor of approximately two-and-a-half). After a tender process, we have concluded an agreement with a Chinese project partner who will construct a multi-use project including a new METRO warehouse with a modern store layout on the property. This project resulted in significant EBIT and cash flow contribution in 2015/2016. In this regard, we expect that, after its development, our new warehouse will be opened in the next two years which will be owned by us again, enabling us to provide our customers with a contemporary and convenient shopping experience.

10.19.3. Leases

The duration of our lease agreements is generally determined by a fixed term (typically ten years or longer) during which the lease may generally not be terminated by either party, often in combination with an extension option for us as lessee or a tacit renewal upon expiry of the fixed term. However, in certain countries we may terminate lease agreements after shorter periods of time. In addition to the fixed lease payments (on a monthly basis or, in some cases, every three months), many of our lease agreements contain additional sales-related variable lease payments, meaning that a portion of the lease payments is tied to the level of net or gross revenue, as the case may be, generated in the store concerned, subject to a minimum lease payment. The commercial leases that we sign with our lessors typically provide for an adjustment of the rent as a function of changes in certain indices. In addition to rent, operating expenses and special payments, such as center-contributions or marketing contributions, may be payable. Before sub-letting a facility, we are generally required to request the lessor's consent, which may be in some cases dependent on the payment of additional rent. We regularly review our lease agreements and renegotiate their terms when possible. Particulars of the lease agreements vary from country to country and are in part dependent on the different applicable laws.

For example, in France, the lessee has a right to security of tenure regarding commercial leases governed by French law. This enables the lessee to ask for the renewal of the commercial lease upon its expiry. If the lessor refuses to renew the lease and to the extent the lessee is not in breach of its obligations under the lease, the lessor must indemnify the lessee for its eviction. This indemnity for eviction compensates the loss suffered by the lessee as a result of the non-renewal of the lease. The indemnity is assessed on a case by case basis and includes a compensation for the loss of business carried out on those premises or a displacement indemnity as well as certain other costs which are borne by the lessee.

The basic assumption under Dutch law is that a lease should last for at least ten years. In practice, a lease is often entered into for a period of five years with a possibility to extend it for an additional five-year period. However, even if no second five-year-period has been agreed to, or if the original agreement is entered into for a shorter or longer term than five years, the lease will be extended by operation of law to a term of ten years. If no notice of termination has been given at the end of the ten-year-period, the lease will subsequently continue for an indefinite period of time.

10.20. Legal and Administrative Proceedings

Companies of the Group are currently, and will likely be in the future, involved in legal and administrative proceedings as part of their ordinary business activities or the acquisition or divestiture of businesses and/or assets. Proceedings relating to our operative business have in the past and will likely in the future include, among others, labor disputes as well as disputes relating to intellectual property rights, warranty and civil damages claims including (alleged) product liability by customers as well as claims by suppliers and other partners. In particular, claims by suppliers and other partners have related, and may relate in the future, particularly in light of recent cases of regulatory changes in Poland and other countries, to invoicing, later income and bonuses. We are also regularly active and passive parties to proceedings regarding lease of real estate in the ordinary course.

It is impossible for us to determine or predict the outcome of any such proceedings pending or threatened. We nevertheless believe that, other than those proceedings described below, no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) during the last twelve months may have, or have had in the recent past, significant effects on the Company's and the Group's financial position or profitability. For risks relating to legal and administrative proceedings of the Company and the Group, see also *1.5.5* "*Risk Factors — Legal, Regulatory and Tax Risks — We are subject to risks from disputes and administrative, legal and arbitration proceedings*.", and for risks relating to certain legal proceedings of our Existing Shareholder, see *1.6.2* "*Risk Factors — Risks Related to the Demerger and Separation of our Business from the METRO Group — In connection with or as a consequence of the Demerger, we face risks from claims, particularly pursuant to Section 133 of the German Transformation Act (Umwandlungsesetz), according to*

which we would be jointly and severally liable for liabilities of the Existing Shareholder which come into existence before the Demerger is completed under certain conditions.".

10.20.1. Proceedings Resulting from Divestitures

In the recent past, we have implemented several divestitures including closures, such as the divestitures of certain wholesale activities, in particular, in Vietnam, Denmark and Greece as well as Real's Eastern European and Turkish business. In addition, METRO Group divested the GALERIA Kaufhof group the proceeds of which as well as corresponding potential liabilities remain with MWFS. Some of these divestitures have resulted in active and passive legal proceedings. Such proceedings relate to issues such as, *inter alia*, purchase price mechanisms, corporate guarantees, or tax or other indemnifications. This concerns, in particular, the following proceedings:

We have settled a dispute with entities related to the buyer of GALERIA Kaufhof group, Hudson's Bay Company, in January 2017, following arbitration proceedings, relating to a medium low double-digit million Euro claim by a Hudson's Bay Company subsidiary, *inter alia*, for VAT reimbursements under a tax indemnity clause, purchase price adjustments and reimbursements of certain costs of our sale and purchase agreement with Hudson's Bay Company. This concerned, in particular, VAT payments GALERIA Kaufhof group has made, certain aspects of the purchase price, including, *inter alia*, pension values, and reimbursements for several costs. In addition to these settled proceedings, other aspects of the divestiture are still under dispute between us and Hudson's Bay Company and might also result in active or passive legal proceedings. We are of the opinion that we are entitled to further purchase price payments in connection with real estate evaluation. Hudson's Bay Company has exercised an option to acquire a residual minority stake in a real estate entity from us in connection with the divestiture and subsequently, the purchase price has to be determined. We were not yet able to reach an agreement with Hudson's Bay Company on these issues, but no formal proceedings have been initiated as of the date of the Prospectus.

In addition, Real (through real,- SB-Warenhaus GmbH) has filed a claim for damages before the district court of Saarbrücken in 2014 against Grundstücks-GbR Globus Holding and others as buyer of certain real estate for Real hypermarkets. The claims are based on the refusal of the buyer to take on the employees of these hypermarkets and subsequent damages for losses as Real had to close the hypermarkets and negotiate social plans. Real is of the opinion that the buyer has not complied with its obligations under the sale and purchase agreement, and that costs for the closures and social plans can be claimed as damages for breach of the respective sale and purchase agreement. An oral hearing was held in September 2016 and evidence was taken in a hearing in November 2016. The proceedings were settled out of court in February 2017 for a high single digit Euro million amount paid to Real in March 2017.

10.20.2. Antitrust Investigations and Relating Proceedings

As a wholesaler and retailer, we are currently, and will likely be in the future, also subject to antitrust investigations, as we have been in the past and currently are in various countries, such as, *inter alia*, Germany, Hungary, Romania, or Moldova. These antitrust investigations, *inter alia,* concern anti-competitive practices with suppliers, vertical price collusions, participation in a hub & spoke cartel or resale price setting. In certain cases, fines were imposed on us. We challenged some of these fines in court.

In the recent past, major antitrust investigations related, in particular, to MGB METRO Group Buying GmbH and other Group companies in Germany, METRO Kereskedelmi Kft. in Hungary and METRO Cash & Carry Romania SRL.

In particular, our subsidiary METRO Cash & Carry Romania SRL was subject to investigations of the local antitrust authorities relating to alleged vertical price-fixing with food suppliers, *inter alia*, by way of alleged agreements on promotion periods and prices. The Romanian competition authority initiated investigations in 2009 and has imposed a fine of approximately EUR 11 million on METRO Cash & Carry Romania SRL in April 2015. Following our appeal, the fine was annulled by a court in the first instance in December 2016. The antitrust authority has appealed the court's ruling to the Romanian High Court. METRO Cash & Carry Romania SRL has appealed also, but only with respect to certain, unfavorable arguments of the first instance

decision. The High Court's ruling on the appeals is not expected before 2019. Similar proceedings are pending against former Real Romania, relating to a fine of approximately EUR 5.5 million imposed by the Romanian competition authority. Former Real Romania's appeal against the fining decision had also been successful. After the divestiture of Real Romania, we potentially face liability to a certain extent in this regard towards Groupe Auchan as buyer of Real Romania.

10.20.3. Proceedings Related to Antitrust Recovery

As part of our antitrust recovery program, we strive to actively recover damages incurred by us due to antitrust violations of other parties. During the last twelve months, we were able to recover damages in a single digit million Euro range, in aggregate, through various settlements. We are currently also evaluating further antitrust recovery measures for potential damages based on certain other officially determined or alleged unlawful price fixing arrangements in relation to products such as sugar or personal care products.

Where settlements were not successful, we have initiated active proceedings before different courts to recover our damages. Major proceedings in the recent past particularly related to interchange fees.

In particular, the Existing Shareholder and METRO Group companies have initiated proceedings to recover damages from unlawful interchange fees before the Chancery Division of the High Court of Justice for England and Wales. In this context, claims for damages for losses arising from unlawful interchange fees paid on MasterCard credit and debit card transactions within the EEA in a significant amount against MasterCard Inc. and other MasterCard companies have been filed before the court in 2012. Certain of these claims, despite being attributable to the Company, will remain with the Existing Shareholder to simplify the proceedings after the Demerger. As far as theses claims are concerned, as agreed in the Demerger Agreement these claims will be further pursued by the Existing Shareholder upon coordination with the Company and on behalf and on account of the Company. More generally, the interchange fee claims are based on a decision of the European Commission of December 19, 2007, which found that the interchange fees charged by MasterCard on intra-EEA credit and debit transactions between 1992 and 2007 were in breach of EU competition law, and were also applied to domestic transactions in certain EU member states and/or affected the rates at which the fees for domestic transactions were set. The proceedings are still pending. Similar proceedings have been or may be initiated in the future against other financial service providers.

Also, in May 2017, the Company filed an antitrust recovery claim against the German sugar producers Südzucker AG, Nordzucker AG and Pfeifer & Langen GmbH & Co. KG with the regional court (*Landgericht*) of Hannover. This claim was, *inter alia*, brought for the accountof several Group companies to recover damages. Recovery of damages is based on a decision of the German federal cartel office dated February 18, 2014 which imposed fines on the defendants of this lawsuit for concluding anticompetitive agreements on sales areas, quotas and prices between the mid-1990s and until 2009.

10.20.4. Proceedings in Connection with Tax Audits or other Decisions by Tax Authorities

We are also regularly subject to tax audits and have challenged certain decisions which currently and in the past have covered, for example, appeals against certain tax acts or decisions on building taxes or taxes on bulk sales. Tax proceedings concern, in particular, the following cases:

For example, in Germany, we are challenging a decision of the tax authority relating to a tax assessment following the merger of a subsidiary of MGLEH with MGLEH in 2008 with retroactive effect, which MGLEH had previously acquired from a third party. The taxable profits of the acquired subsidiary for the year 2008 were offset against operating losses of our tax group following the merger. In 2015, following a tax audit, the tax authority considered the offsetting of taxable profits against operating losses of the tax group as misuse from a tax perspective, disregarded the merger from a tax perspective and imposed taxes of

approximately EUR 80 million plus interest amounting to approximately EUR 30 million (as calculated as of March 31, 2017) on MGLEH. We have appealed the tax assessment out-of-court in May 2015. MGLEH received a negative appeal decision of the responsible tax authorities in February 2017 as the fiscal administration classifies the acquisition of this participation as an abuse of legal structuring options. In March 2017, we filed an appeal against this decision at the competent tax court. We expect the seller of the subsidiary to be potentially liable to us relating to this contested tax liability in a significant amount under certain conditions.

We are challenging a decision by the Polish tax authorities which challenges the tax neutrality of a real estate demerger for makro Poland executed in 2011 even though a positive tax ruling was issued by the Polish tax authorities prior to the transaction. Furthermore, we are also currently challenging a decision following a tax audit for Real Poland covering the year 2011 where the tax authorities treated inventory losses for damaged goods as non-deductible cost based on alleged insufficient documentation. Both matters are currently pending on the level of the fiscal control office but we expect them to be decided on court level. In case negative decisions will be issued by the authorities, we currently expect an additional tax burden of up to approximately EUR 23 million plus interest.

Furthermore, we challenged a decision of the tax authority relating to the inclusion of a subsidiary from Kazakhstan in the Austrian tax group. Changes in legislation resulted in the removal of this subsidiary from Kazakhstan from the tax group in 2015, as a result of which we may no longer offset certain losses. We challenged this removal, ultimately before the Austrian Constitutional Court, which however dismissed our appeal in April 2017.

10.21. Regulatory Environment

The wholesale and retail industries are regulated by both general and specialized legislation including provisions covering quality standards, health and safety, hygiene rules and consumer protection. Our regulatory environment is characterized by numerous national, supranational and international laws and regulations. For instance, in order to open a new store, a number of permits and approvals are required, including those relating to health and safety, and fire protection. As a rule, the applicable law gives regulatory authorities certain discretionary powers in application and enforcement of relevant laws, regulations and rules as well as in the issuance and renewal of permits and in monitoring compliance with the terms and conditions thereof. The regulatory requirements applicable to our business activities are subject to constant change, as they are continuously adapted at national, supranational and international level. If we fail to comply with any of these laws and regulations, we may be subject to civil liability, administrative orders, fines, and even criminal sanctions.

Set out below is a summary of material information concerning the regulatory environment of our business. However, since we operate in a large number of jurisdictions, this summary does not purport to be a complete description of all applicable laws and regulations, and thus should not be read as such.

10.21.1. Foreign Trade and Customs Law and Trade Regulations

The trading of goods is an essential component of our business model. As a consequence, our business is subject to various rules and regulations concerning the import and export of goods and services, including foreign trade and customs regulations.

Within the European internal market, the principle of free movement of goods applies. With regard to the import from and the export of goods to non-EU countries, we must comply with national and European foreign trade and customs regulations, including applicable trade sanctions law. At EU level, our relevant regulatory framework is laid down in the Union Customs Code ("**UCC**") which was adopted on October 9, 2013 as Regulation (EU) No 952/2013 repealing both the former Community Customs Code and the former "Modernized Customs Code" adopted as Regulation (EC) No. 450/2008. The UCC shall, among other things, simplify customs rules and procedures and facilitate more efficient customs transactions in line with modern-day needs, completing the shift by customs authorities to a paperless and fully electronic environment.

Whereas imports and exports within the EEA are in principle not liable to customs duty, the movement of goods beyond the frontiers of the EEA is subject to customs control between the customs union of the EU and EEA member states which are not EU member states. For such movements of goods, the customs control imposes statutory import duties. Customs offices may from time to time initiate customs inspections of importing or exporting companies to assess whether customs regulations have been complied with.

Furthermore, we must comply with additional trade regulations in some jurisdictions in which we operate. For example, a new trade law entered into force in Russia on July 15, 2016 prohibiting certain contractual agreements with suppliers as of January 1, 2017. Russian trade law prohibits, amongst others, bonuses and services exceeding 5% of a supplier's turnover, invoicing of cost to suppliers after acceptance of goods or trading markups on specific products such as baby food. The Czech Republic also introduced limitations on later income in 2016.

Also, in the last years in several other countries, especially in Eastern Europe (including, but not limited to Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania and Slovakia) trade laws were passed or are currently under discussion which limit our freedom to trade in different ways. Bulgaria, for example, has introduced a law restricting the use of stickers on product packages to provide food information to customers. To comply with information requirements we thus have to repack products accordingly. Hungary, on the other hand, has, inter alia, passed a law in 2014 forcing large retailers to exit the market if they have recorded losses for two consecutive years and more recently introduced an obligation for retailers to apply the same profit margins to domestic and imported agricultural and food products. Poland has introduced a so-called "supermarket tax" in 2016 imposing additional VAT for large scale distributers, which has been currently suspended. Romania for example implemented legislation obliging large retailers to promote Romanian products and to source 51% of food and agricultural products from the "short supply chain" meaning they have to be provided by regional or national suppliers. Similarly, in Slovakia, large merchants have to report which percentage of sales is derived from the sale of Slovakian products and heavy fines can be imposed if products are found in stores surpassing their expiry dates. Other countries, where laws were passed which limit our freedom to trade include, inter alia, Croatia. Some of these measures, including but not limited to the Polish "supermarket tax" and the Hungarian market exit obligation, the Slovakian reporting obligations or the Romanian sourcing and promoting rules have been challenged by the European Commission.

The Czech Republic considers introducing a "marketing fund" for "sensitive raw materials" such as meat, eggs or milk with the aim of promoting Czech products. Other planned legislation in Hungary includes for example a cap on advertising costs to 0.5% of the net income, a minimum number of sales persons or restrictions on the sale of multipacks. This follows a broader regulatory trend, both on national levels as well as on the level of the European Union. For example, the European Commission published a Green Paper on Unfair Trading Practices in the Business-to-Business Food and Non-Food Supply Chain in Europe in 2013, followed by initiatives of both the European Commission and the European Parliament which are focusing on whether additional regulation along the lines of the aforementioned regulatory measures enacted, in particular, in Eastern Europe should be enacted within the entire European Union.

10.21.2. Consumer Protection

We must further comply with various consumer protection regulations with respect to the marketing and sale of products to customers, including our online selling activities.

Throughout the EU, consumer protection is extensively regulated, in particular, on the basis of the following EU directives:

- the Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts (Unfair Contract Terms Directive);
- the Directive 98/6/EC of the European Parliament and of the Council of February 16, 1998 on consumer protection in the indication of the prices of products offered to consumers (Price Indication Directive);
- the Directive 1999/44/EC of the European Parliament and of the Council of May 25, 1999 on certain aspects of the sale of consumer goods and associated guarantees (Sales and Guarantees Directive);

- the Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular, electronic commerce, in the internal market (Electronic Commerce Directive);
- the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (ePrivacy Directive) as amended by Directive 2009/136/EC the European Parliament and of the Council of November 25, 2009;
- the Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive), which prohibits, among others, certain particularly aggressive or misleading commercial practices or advertising;
- the Directive 2006/114/EC of the European Parliament and of the Council of December 12, 2006 concerning misleading and comparative advertising (Misleading and Comparative Advertising Directive);
- the Directive 2009/22/EC of the European Parliament and of the Council of April 23, 2009 on injunctions for the protection of consumers' interests (Injunctions Directive); and
- the Directive 2011/83/EU of the European Parliament and of the Council of October 25, 2011 on consumer rights (the "**Directive on Consumer Rights**") which replaced the Directive 97/7/EC of the European Parliament and of the Council of May 20, 1997 on the protection of consumers in respect of distance contracts with effect as of June 13, 2014.

The aforementioned EU directives on consumer protection and the national laws which implement or complement these directives impose extensive duties and responsibilities on wholesalers and retailers, including the following:

- With respect to our consumer online activities, online purchases constitute "distance contracts" that are subject to specific consumer protection. Pursuant to the Directive on Consumer Rights, effective as from June 13, 2014, consumers have the statutory right (EU-wide) to withdraw from a distance contract within 14 days after receipt of goods (or within a period of twelve months and 14 days after receipt of goods if the consumer has not been properly informed about its statutory right of withdrawal). Withdrawal must be exercised by distinct declaration towards the seller (for example, in writing, by e-mail or phone). The return of the goods without further comment does not constitute a valid declaration of withdrawal any longer. If the statutory right of withdrawal is exercised within 14 days, the customer must return the goods and the seller must reimburse the purchase price including shipping costs (if any) except that the seller must not reimburse the supplementary costs, if the consumer has expressly opted for a type of delivery other than the least expensive type of standard delivery offered by the seller (for example, express delivery). The customer, on the other hand, has to bear such supplementary costs for the return of goods unless the seller has failed to inform the customer accordingly or the seller has expressly agreed to assume these costs. The customer also has to compensate the seller for any loss in value of the returned goods, if such loss is due to the customer handling the goods in a way that was not required to examine the condition, features and functionalities of the goods and the seller has informed the customer about the statutory right of withdrawal.
- In addition, under certain circumstances, online traders must comply with extensive and formalized information requirements. They have to provide their (potential) customers with detailed and accurate information, *inter alia*, on the offered goods, on the way a binding contract can be concluded, on price and payment details, on their return policy, on the statutory right to withdraw from a contract (irrespective of any more beneficial return policy that may be afforded by the online retailers, on their general terms of sale and on statutory warranties). EU directives and national laws set out detailed criteria on when, where and by which means this information has to be provided. Online retailers have to implement these requirements in the design and structure of their online shops, mobile-commerce platforms and apps, in their ordering and payment processes and in their delivery systems. Due to changes in legislation, online traders have to adapt their shop design on an ongoing basis. For example, as a result of the Directive on Consumer Rights, online traders were obliged to implement a "button solution" pursuant to which a binding

purchase can only be completed by clicking on a button that is explicitly labeled "buy now" (or similar) and which can be found in the immediate proximity of a summary of certain key information relating to the purchase, Art. 8 (2) of the Directive on Consumer Rights. Failure to comply with these information requirements may give rise to civil liability, administrative orders (including injunctive relief) or fines and may in some cases result in an extension of warranty periods or even in the invalidity of the affected customer contracts.

- Advertising, including promotional games, newsletters and personalized product recommendations, is heavily regulated, in particular, when distributed by e-mail. An advertisement must not be misleading, constitute an unreasonable nuisance or make use of harassment, coercion or undue influence. These criteria leave wide room for interpretation and the assessment of courts and other competent bodies is often hard to foresee.

10.21.3. Data Protection Law

The collection, processing and other use of personal data is subject to broad national, supranational and international legislation. In general, data privacy laws regulate in which cases, to which extent and by which means personal data may be collected, for which purposes they may be processed, for how long they may be stored and to whom and how they may be transferred. As a rule, the collection, processing and use of personal data is admissible only if permitted by a statutory legal provision or if the data subject (i.e., the person to whom the personal data relates) has given consent. Furthermore, certain data privacy laws require the implementation of technical and organizational measures necessary to ensure an adequate level of data protection or the appointment of a data protection officer (*Datenschutzbeauftragter*). In addition, data protection laws set forth the rights of data subjects (for example*,* notification or information rights as well as the right to claim correction, erasure or blocking of data or compensation for caused harm), and determine the sanctions for infringements.

At EU level, data privacy law is primarily governed by the new General Data Protection Regulation (EU) 2016/679 ("**General Data Protection Regulation**") on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, repealing the former "Data Protection Directive" 95/46/EC. The General Data Protection Regulation entered into force on May 24, 2016 but will not apply before May 25, 2018. Its provisions will be directly applicable as a single set of rules in all member states. The regulation, *inter alia*, obliges each controller and, where applicable, the controller's representative, to maintain a record of processing activities under its responsibility. Furthermore, the controller shall implement appropriate technical and organizational measures to ensure and to be able to demonstrate that processing is performed in accordance with the General Data Protection Regulation. In case of non-compliance, the General Data Protection Regulation imposes a substantially increased risk of fines on all data processing entities, as the new maximum level of fines is EUR 20 million or, in case of a corporation, 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. With respect to electronic communication, the specific Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "**ePrivacy Directive**") applies.

In Germany, for example, general data privacy law is governed, in particular, by the Federal Data Protection Act (the "**Data Protection Act**") (*Bundesdatenschutzgesetz*). In addition, various sector specific statutes set forth specific data privacy rules which apply to certain industries or businesses and prevail over the general rules of the Data Protection Act. Moreover, e-commerce providers have to comply with the specific requirements provided for in the German Telemedia Act (the "**Telemedia Act**") (*Telemediengesetz*) which take into consideration the peculiarities of online communication and may deviate from the general rules of the Data Protection Act. For example, the Telemedia Act provides for additional information obligations which go beyond the general requirements of the Data Protection Act. On the other hand, Sec. 13 (2) of the Telemedia Act allows for electronic declarations of consent while Sec. 4a (1) of the Data Protection Act, in principle, requires consent given in writing. In comparison with other European jurisdictions, the German data privacy law is known to be rather strict. For example, the Data Protection Act contains detailed requirements regarding

the engagement of a data processor (*Datenverarbeitung im Auftrag*) which have to be implemented, in particular, in the context of IT outsourcings. In France, we are subject to the French law dated January 6, 1978, for the collection of personal data of our customers. Similar data protection laws are applicable in other jurisdictions in which we operate.

10.21.4. Regulations on Shop Closing Time

Shop closing times are extensively regulated in many jurisdictions in which we operate. For example, most European countries have regulations on shop closing times, which particularly apply to weekends and holidays. After the implementation of Directive 2003/88/EC concerning certain aspects of the organization of working time, regulations on shop closing times during night hours on working days were not required anymore, and thus suspended by several EU member states. In Germany, regulations on shop closing times fall within the legislative power of the federal states since 2006. Under the respective state laws (*Ladenschlussrecht*), there are limited opening hours on weekends and holidays, with only occasional exceptions applying on certain Sundays. In France, the legal working times as well as the obligation to rest on Sunday (which is subject to some exceptions) are mainly regulated by the French labor code (*code du travail*).

10.21.5. Regulations Regarding Product Safety and Product Liability

We are subject to regulations regarding product safety and product liability. We have to observe certain product safety standards and provide our customers with necessary information regarding potential threats. We are also subject to product liability regulations regarding faulty or hazardous products.

With regard to product safety on EU-level, Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001, on general product safety (the "**EU Directive on Product Safety**", as implemented in the individual EU countries) provides that manufacturers must introduce into the market products that comply with the general safety requirements. In addition, producers must provide consumers with the necessary information enabling them to assess a product's inherent threat, particularly when this is not directly obvious. In addition, distributors must also comply with information requirements. Furthermore, distributors must adopt the necessary measures to avoid such threats, for example, by withdrawing unsafe products from the market, informing customers about possible dangers and recalling products that have already been supplied to customers. In this context, it is important to note that under the EU Directive on Product Safety — as well as pursuant to most other European and/or national legislation on product safety — an importer (which in most cases will also be a retailer) of a product that was produced in a country outside of the EU qualifies as the producer of the product.

Pursuant to the EU Directive on Product Safety, distributors are obliged to supply products that comply with the general safety requirement, to monitor the safety of products on the market and to provide the necessary documents ensuring that the products can be traced. If the producers or the distributors discover that a product is dangerous, they must notify the competent authority and, to the extent necessary, co-operate with them.

In addition, as we sell our own brand products (manufactured by third parties) under our own brands and import certain products from non–EU countries, we may qualify as quasi-manufacturer of certain food and other products and are thus subject to applicable legislation on product liability. For example, EU Directive 85/374/EEC of July 25, 1985, as amended by Directive 1999/34/EC of May 10, 1999, on product liability claims ("**Product Liability Directive**"), which applies to practically all movables marketed in the European Economic Area, establishes the principle of strict liability, *i.e.*, liability without fault of the producer, in cases of damage caused by a defective product. The liability covers death, personal injuries and damages of at least EUR 500 to an item of property caused by defective products intended for private use or consumption. Additionally, local laws such as the German Product Liability Act (*Produkthaftungsgesetz*) contain provisions relating to civil liability for defective products and damage caused by such products, imposing strict liability in certain circumstances, and a liability limit of EUR 85 million per defective product or, if several products present the same defect, per defect.

Similar product safety and product liability laws are applicable in other jurisdictions in which we operate.

10.21.6. Business Licenses Regulations

We are subject to a number of regulations regarding business licenses. In particular, a number of countries in which we operate distinguish between business licenses for wholesale and retail, while other countries issue licenses generally for business or trade activities. In addition, in some jurisdictions there are no special business licenses for wholesale or retail, but distinctions are made between the zoning qualities of the land plots of the individual stores.

Among others, Austria, Belgium, France and Italy distinguish between wholesale and retail licenses. In Germany, the regulations on zoning quality differ for the land plots of the individual stores, allowing for the operation of either wholesale or as retail stores. In several countries only wholesale use is permitted for our warehouses, whereas in other countries only general trade licenses are required which do not distinguish between wholesale and retail.

In case of a violation of business licenses or zoning restrictions, sanctions may be imposed in most of the countries in which we operate. These may include, among others, investigations, administrative fees or closures of stores.

10.21.7. Health and Safety, including Sanitary and Epidemiological Welfare

Pursuant to national and international provisions, in most of the jurisdictions in which we operate we are obliged to take measures relating to health and safety at work, including sanitary and epidemiological welfare. In general, compliance with employment safety regulations is subject to regulatory supervision.

Furthermore, wholesaler and retailers who place food products on the market must ensure that these products comply with health and safety requirements. At EU level, EU Regulation 2002/178/EC of January 28, 2002 on food law (the "**General Food Law Regulation**") requires food products to meet certain sanitary standards and prohibits the placing on the market of food products if they are unsafe. Under the regulation, food products are deemed unsafe if (i) they are injurious to health or (ii) unfit for human consumption. If the unsafe food products have already been placed on the market, the respective food business operator must withdraw them immediately and inform the competent authorities thereof. Where there are reasonable grounds to suspect that a food product may present a risk for human health, public authorities shall take appropriate steps to inform the general public of the nature of the risk to health. In this process, the authorities shall identify to the fullest extent possible the food, the risk that it may present and the measures which are taken or about to be taken to prevent, reduce or eliminate that risk. In connection with this regulation, a European Food Safety Authority ("**EFSA**") was established in 2002 in order to provide scientific advice and scientific and technical support for EU legislation and policies on food safety. In addition, EFSA shall provide independent information on all matters within these fields, communicate on risks and, thus, contribute to a high level of protection of human life and health and support the member states' legislation and policies in all fields having a direct or indirect impact on food safety. In addition, Regulation (EC) No 852/2004 of April 29, 2004 on the hygiene of foodstuffs requires food business operators to ensure that all stages of production, processing and distribution of food under their control satisfy specific hygiene requirements. Moreover, all businesses in the food sector must comply with Regulation (EC) No 853/2004, which sets out hygiene rules for food of animal origin. Regulation 2006/1924/EC of December 30, 2006 on nutrition and health claims made on foods, and EU Regulation 2011/1169/EU of October 25, 2011 on the provision of food information to consumers establish general principles, requirements and responsibilities governing food information, and, in particular, food labeling. They lay down the means to guarantee the right of consumers to information and procedures for the provision of food information, taking into account the need to provide sufficient flexibility to respond to future developments and new information requirements.

Additional regulations are in force in some jurisdictions in which we operate. In Germany, for example, we must also comply with specific requirements provided in the German Foodstuffs and Consumer Products Act (the "**Foodstuffs Act**") (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch*), which aims at preventing public health risks resulting from food. According to the Foodstuffs Act, it is prohibited to place harmful food on the market. To ensure health protection, each federal state determines authorities responsible for the implementation of and compliance with the Foodstuffs Act. To this end, the authorities are entitled to require the revocation or withdrawal of harmful foodstuff. In addition to the

requirements under the Foodstuff Act, we have to observe other national provisions relating to specific food products, for example, the Ordinance on Milk Products (*Verordnung über Milcherzeugnisse*) and the Ordinance on Fruit Juice and Soft Drinks (*Verordnung über Fruchtsaft, einige ähnliche Erzeugnisse, Fruchtnektar und koffeinhaltige Erfrischungsgetränke*). The violation of these provisions may result in civil liability, administrative orders, fines and criminal sanctions.

Other jurisdictions in which we operate set out comparable food safety standards which we have to comply with.

10.21.8. Fire Protection Requirements

The operation of our business also has to comply with fire protection requirements determining health and safety standards for fire protection. Fire protection requirements include, *inter alia*, the installation of safety lights, a fire alarm system, fire extinguishing systems and extinguishers in line with local standards and preventive building applications, such as fire doors.

In Germany, for example, the relevant provisions are stated in different acts. The Ordinance on Workplaces (*Arbeitsstättenverordnung*) determines minimum health and safety standards for the prevention or elimination of hazards during the installation and operation of workplaces. The required safety measures include, among others, the installation of safety lights, fire extinguishers and emergency switches. In addition to their installation, the safety devices need to be tested on a regular basis on their serviceability. With regard to possible fire outbreaks, traffic routes, escape routes and emergency exits must be kept clear constantly so that customers and employees can get to safety without delay and can be rescued quickly in case of an emergency. Furthermore, we are obliged to draw up an escape and rescue plan, which must be laid out or displayed at suitable points in our warehouses and hypermarkets. The Ordinance on Industrial Safety and Health (*Betriebssicherheitsverordnung*) includes additional provisions to ensure health protection during the use of work equipment by employees at work. Further preventive fire protection requirements are set out by the building law provisions of the federal states. Other jurisdictions in which we operate provide for similar fire protection requirements.

10.21.9. Waste Regulations

The operation of our business is subject to various waste regulations. We have to comply with various provisions determining eco-friendly waste management or imposing cost of waster regulation by holders or producers of waste. Waste management regulations may include the obligation to establish certain recycling mechanisms.

At EU level, the applicable Framework Directive 2008/98/EC of November 19, 2008 provides for a general framework of waste management requirements and sets the basic waste management definitions for the EU. It also establishes major principles such as an obligation to handle waste in a way that does not have a negative impact on the environment or human health, an encouragement to apply the waste hierarchy and, in accordance with the polluter-pays principle, a requirement that the costs of disposing of waste must be borne by the holder of waste, by previous holders or by the producers of the product from which the waste came. Additionally, Directive 2012/19/EU concerning waste of electrical and electronic equipment obliges us to take back used electrical devices. In Germany, this directive has been implemented with the Electrical and Electronic Devices Act (*Elektro- und Elektronikgerätegesetz*).

We also have to comply with additional regulations in some jurisdictions in which we operate. In Germany, for example, we have to comply with the Recycling Act (*Kreislaufwirtschaftsgesetz*), which promotes the preservation of the natural resources and ensures the protection of humans and the environment with regard to the generation and management of waste, in particular, the recycling and other material recovery of waste. In addition, provisions of the federal states and of the municipalities apply.

10.21.10. Regulations on Sale of Alcohol and Tobacco Products

We have to comply with national legal regulations on the sale of alcohol and tobacco products in the countries in which we operate. In several countries in which we operate, the sale of alcohol and tobacco products is subject to licensing.

Additional legislation regulates the sale of alcohol, especially regarding the labeling and restriction customer groups. At EU level, the applicable Regulation (EC) No. 110/2008 of January 15, 2008 and the Commission Implementing Regulation (EU) No. 716/2013 of July 25, 2013 regulate the definition, description, presentation, labeling and the protection of geographic indications of spirit drinks. We have to comply with specific regulations in other countries. In Germany, for example, our business is, among others, subject to the Ordinance on certain alcoholic beverages (*Verordnung über bestimmte alkoholhaltige Getränke*) and to the Youth Protection Law (*Jugendschutzgesetz*) (the "**Youth Protection Law**"). The latter determines that spirits as well as spirits-containing drinks or food products containing spirits above negligible level must not be sold to persons below the age of 18 years. Other alcoholic drinks must not be sold to persons below the age of 16 years if they are not accompanied by a custodial person. Other jurisdictions provide for similar age limitations.

Moreover, in some jurisdictions, our business is subject to further limitations regarding the time and place of sale of alcoholic beverages. For example, the sale of alcohol is not allowed during prohibited hours, on certain days, on which sale of alcohol is generally prohibited, is allowed only in a separated area within the store having a separate cash register, or only within a certain distance from educational institutions.

Similar rules apply for the sale of tobacco. In connection with tobacco products, Directive 2014/40/EU of May 19, 2016 on the approximation of the laws, regulations and administrative provisions of the member states concerning the manufacture, presentation and sale of tobacco and related products (the "**Tobacco Products Directive**") applies. Among others, the Tobacco Products Directive contains provisions concerning the ingredients, emissions, labeling and packaging of tobacco products as well as the placing on the market and the labeling of certain products, which are related to tobacco products. The Directive has been transposed into national law, for example, in Germany through the Tobacco Products Act (*Gesetz über Tabakerzeugnisse und verwandte Erzeugnisse*) and the Ordinance on Tobacco Products (*Verordnung über Tabakerzeugnisse und verwandte Erzeugnisse*). Additionally, pursuant to the Youth Protection Law, tobacco products and other nicotine-containing products and their containers must not be sold to persons below the age of 18 years. Similar laws apply in other jurisdictions, in which we operate.

10.22. Insurance

We have taken out insurance policies in relation to a number of risks associated with our business activities. Our main insurance policies are placed as global coverage consisting of a master policy in Germany and local policies in other countries. Global insurance programs include property damage, business interruption, terrorism, liability including product and environmental liability, and specific transportation risks. In addition, we have worldwide coverage policies for directors & officers (D&O) liability (upon completion of the Demerger) and fidelity insurance (for damages inflicted by "persons of trust", *i.e.*, mainly employees and external service providers as well as hackers), which are applicable for the Company and its subsidiaries. Additionally, in some countries we offer employee-benefits, for example, in relation to accident, death and disability that are based on insurances by the Company.

Our insurance policies are subject to customary exclusions, limits and deductibles. At the same time, we have identified several risks that cannot be insured on economically feasible terms and for which, therefore, no insurance cover has been purchased. These risks include, among other risks, acts of war or certain cyber breaches and nuclear catastrophes.

All previous group-wide insurance policies relating to the METRO Group were split between the MWFS Business and the CE Business as of September 30, 2016, except for certain D&O and criminal defence insurance policies. These insurance policies will be split as of the completion of the Demerger. The D&O insurance policy of the Existing Shareholder will be converted into a so-called "run-off" policy as of the completion of the Demerger, which means, it will only cover incidents prior to the completion of the Demerger.

We regularly review our insurance program together with our insurance broker. We cannot guarantee, however, that we will not incur losses or be subject to claims that exceed the type, scope or amount of our existing insurance coverage.

11. MATERIAL CONTRACTS

The following presents for the last two years before the date of the Prospectus such contracts outside of the ordinary course of business to which the Company or another company within the MWFS Group is a party and which are of material importance to the MWFS Group.

11.1. Agreements Relating to the Demerger

11.1.1. Demerger Agreement

The Company and the Existing Shareholder entered into the Demerger Agreement dated December 13, 2016 approved of by the general shareholders' meeting of the Company dated February 10, 2017 and by the general shareholders' meeting of the Existing Shareholder dated February 6, 2017. For a description of corporate restructuring measures in relation to the Demerger and the Demerger Agreement, see *3.2. "The Demerger and Listing — Demerger Procedure"* and *3.11. "The Demerger and Listing — Listing Agreement, Fees, Indemnity, Lock-up".* For information on certain actions filed before the regional court (Landgericht) of Dusseldorf to set aside or declare void the resolutions of the general shareholders' meeting of Existing Shareholder approving the Demerger Agreement, the motion for expedited registration (*Freigabeverfahren*) pursuant to sections 16(3), 125 of the German Transformation Act (*Umwandlungsgesetz*) filed by the Existing Shareholder with the higher regional court (*Oberlandesgericht*) of Dusseldorf and certain additional actions for a declaratory judgement to find that the Demerger Agreement is void, see *3. "The Demerger and Listing".*

11.1.2. Group Separation Agreement

The Existing Shareholder and the Company entered into the Group Separation Agreement dated December 13, 2016, which legally forms part of the Demerger Agreement and includes provisions for various legal relationships between the parties and their respective group companies after the legal completion of the Demerger. For the Demerger Agreement, see *3.2. "The Demerger and Listing — Demerger Procedure".*

The Group Separation Agreement contains, *inter alia*, provisions on the separation of the business, on liability, on taxes, holding periods, non-competition and lending as well as other provisions, in particular, regarding confidentiality and fulfillment of claims.

11.1.2.1. Separation of Business

According to the Group Separation Agreement, the parties are obliged to endeavor to arrive at a release of such collateral securities as are existing after the effectiveness of the Hive-Down and Spin-Off and provided by one of the parties or one of its group companies for liabilities of the other party or one of its group companies and indemnification for claims arising from such securities.

In order to prevent insurance cover being lost from an economic point of view, the Group Separation Agreement obliges the parties to ensure that an insurance claim of one of the parties or of one of its group companies with respect to circumstances arising or becoming known after the Economic Effective Date regarding which the other party or one of its group companies is injured will benefit the injured entity. A similar provision has been agreed for cases in which damage and entitlement for damages may become separated as a result of the Demerger.

The Group Separation Agreement also provides for a mutual indemnity of the other party and its group companies if claims are made against them on account of statutory liability or common law liability for justified liabilities, financial obligations or contingent liabilities created prior to the effective date of the Demerger that are to be allocated to the respective other business (i.e., the MWFS Business or CE Business) excluding indemnification in certain cases such as, inter alia, tax matters where separate indemnification regimes have been agreed. Such indemnification provisions are not applicable as between the parties to the extent that the mutual indemnification provision under the Demerger Agreement (providing for indemnification claims where claims are made against the party based on liabilities allocated to

the other party in the Demerger Agreement) is applicable. The Existing Shareholder is additionally obliged to indemnify the Company to the extent that MWFS is held liable on the basis of Section 25 German Commercial Code (*Handelsgesetzbuch*) or similar provisions for liabilities not transferred to MWFS AG in the course of the Demerger or for obligations resulting from the operations of the CE Business.

The Group Separation Agreement provides for a specific indemnification by the Company for the benefit of MKFH, as MKFH currently only holds company interests forming part of the CE Business but previously also held company interests attributable to the MWFS Business. The mutual obligations regarding collateral securities and indemnification provisions for the benefit of the Company in case of claims based on liabilities of the respective other business contain corresponding carve-outs to the extent that collateral securities for or statutory/common law liability claims based on liabilities of MKFH are concerned.

11.1.2.2. Taxes

The Group Separation Agreement also contains provisions concerning the allocation of taxes, in particular, tax receivables and tax payables between the parties as well as co-operation in tax proceedings. Subject to certain other stipulations regarding, *inter alia*, transaction taxes and value added tax, the provisions assign all of the current taxes up until September 30, 2016, 12:00 pm to MWFS AG in principle, unless these taxes are clearly and directly attributed to the CE Business. Taxes for the period after September 30, 2016, 12:00 pm are to be borne by the party of the business to which the assets are attributed. Pursuant to a special rule regarding taxes arising from the Demerger as well as the pre-structuring measures (so-called transaction taxes), such transaction taxes are to be borne by the Company, provided and to the extent that they are anticipated by the parties of the Demerger Agreement (so-called calculated transaction taxes). If, contrary to the anticipations of the parties, more transaction taxes are incurred (so-called unexpected transaction taxes), the Company would, in principle, bear 75% of these unexpected transaction taxes, while the Existing Shareholder would in principle bear 25%; for more details on potential risks see *1.6.3. "Risk Factors — Risks Related to the Demerger and Separation of our Business from the METRO Group — In the Demerger and/or the preparation of the Demerger detrimental tax effects, including the loss of unutilized tax loss carry forward and interest carry forwards of MWFS AG and its subsidiaries as well as significant corporate income and trade taxes at the level of the Existing Shareholder (of which 75% would in principle be borne by the Company), could be caused."*. This tax allocation is implemented by provisions for indemnification of taxes as well as payment of tax refunds and offsetting effects according to the agreed attribution of taxes which are also provided for in the Group Separation Agreement. Additionally, there are provisions regarding value added tax should it arise from the Hive-Down. Such value added tax would qualify as an unexpected transaction tax and the Company would, in principle, bear 75% of this value added tax, while the Existing Shareholder would, in principle, bear 25%. The parties are also obliged to co-operate in tax matters. The Group Separation Agreement also lays down general rules relating to taxes, including definitions of terms as well as rules relating to the calculation, maturity and limitation of claims.

11.1.2.3. Holding Periods, Non-competition Clause, Lending and Other Provisions

For information on the lock-up obligation of the Existing Shareholder stipulated in the Group Separation Agreement, see *3.11. "The Demerger and Listing — Listing Agreement, Fees, Indemnity, Lock-up"*.

A non-competition clause binds the parties for a period of two years from the date on which the Hive-Down and Spin-Off take effect, although current activities as of the Economic Effective Date and the further development of these activities are exempted.

The Group Separation Agreement also contains customary confidentiality provisions and an obligation for each of the parties to assume responsibility for their group companies to adhere to the provisions of the agreement.

11.2. Financing Agreements

After the Demerger, the MWFS Group will maintain the financing instruments transferred to it as part of the hived-down assets by the Existing Shareholder. In addition, the shares in METRO Finance B.V. will also be transferred by way of the Hive-Down to MWFS AG.

Following the Demerger, the external financing of the MWFS Group will be primarily based on two syndicated revolving credit facilities, promissory note loans (*Schuldscheindarlehen*), bonds, commercial papers and other financing (including bilateral loans).

From the date of the completion of the Demerger, credit lines in the aggregate amount of EUR 2 billion including two syndicated credit facilities and bilateral credit lines are expected to be available to the MWFS Group, which are meant to serve as liquidity reserve.

11.2.1. Syndicated Revolving Credit Facilities

11.2.1.1. *Transfer, Amendment and Restatement of Existing Shareholders' Facilities pursuant to the Demerger Consent, Amendment and Restatement Agreements*

The Existing Shareholder, as borrower, entered into two separate syndicated revolving credit facility agreements with a syndicate of international banks (collectively, the "**Revolving Facility Agreements**", and each a "**Revolving Facility Agreement**"). One Revolving Facility Agreement provides for a revolving credit facility in the amount of EUR 1 billion with a term ending on January 17, 2019. The other Revolving Facility Agreement provides for a revolving credit facility in the amount of EUR 1.525 billion with a term ending on April 30, 2021. Both credit facilities serve as liquidity reserve and no draw-downs have been made under the facilities as of March 31, 2017 and no draw-downs are expected to be made until the completion of the Demerger.

On February 1, 2017, the Existing Shareholder as current borrower, the Company as succeeding borrower, and the respective syndicate of banks and certain banks as new lenders and/or arrangers have entered into two separate demerger consent, amendment and restatement agreements relating to the Revolving Facility Agreements (collectively, the "**Demerger Consent, Amendment and Restatement Agreements**", and each a "**Demerger Consent, Amendment and Restatement Agreement**"). Pursuant to the Demerger Consent, Amendment and Restatement Agreements, the relevant syndicate and new lenders and/or arrangers have, among others, consented to the transactions contemplated in the Demerger Agreement, and waived any default and/or event of default pursuant to the Revolving Facility Agreements that may result from the implementation of these transactions. The relevant syndicate and new lenders and/or arrangers have waived any rights under statutory law that may arise from the implementation of these transactions to claims against the Existing Shareholder and/or to require the Existing Shareholder or the Company to provide security with effect as from the date the Spin-Off is registered with the commercial register of the Existing Shareholder. The parties to the Demerger Consent, Amendment and Restatement Agreement have acknowledged that the Existing Shareholder shall no longer have any rights and obligations under the respective Revolving Facility Agreement and cease to be a party to the respective Revolving Facility Agreement, and have acknowledged that the respective Revolving Facility Agreement will be transferred to MWFS AG with the Hive-Down.

Following the registration of the Hive-Down with the commercial register of the Existing Shareholder, the Revolving Facility Agreement in the amount of EUR 1 billion will be reduced to an amount of EUR 850 million and will further be amended and restated as set out below under section *11.2.1.2. "— EUR 850 Million Revolving Facility Agreement" and* the Revolving Facility Agreement in the amount of EUR 1.525 billion will be reduced to an amount of EUR 900 million and will further be amended and restated as set out below under section *11.2.1.3. "— EUR 900 Million Revolving Facility Agreement*".

11.2.1.2. EUR 850 Million Revolving Facility Agreement

Upon effectiveness of the Hive-Down, MWFS AG will hence become borrower under a EUR 850 million facility agreement (the "**EUR 850 Million Revolving Facility Agreement**"), originally dated January 17, 2012, as amended by an amendment agreement dated June 7, 2013, as further amended and restated by an amendment and restatement agreement dated

April 30, 2014, and as further amended and restated by a Demerger Consent, Amendment and Restatement Agreement, among MWFS AG as borrower, UniCredit Bank AG as coordinator, UniCredit Luxembourg S.A. as agent and other financial institutions, as the case may be, as lenders and/or arrangers. The EUR 850 Million Revolving Facility Agreement will provide for a revolving loan facility denominated in Euros in an aggregate amount of EUR 850 million. The revolving facility may be used for general corporate purposes.

Revolving loans may be drawn for interest periods of one, two, three or six months or any other period not exceeding twelve months that is agreed between MWFS AG and the lenders.

The EUR 850 Million Revolving Facility Agreement will include representations, general covenants (including a negative pledge, restrictions on disposals and mergers, and certain compliance covenants, subject to specific baskets and/or exceptions) and events of default (including cross-default provisions) which MWFS AG considers customary for an investment grade financing.

The final maturity date of the revolving facility will initially be February 1, 2022. However, the EUR 850 Million Revolving Facility Agreement will provide for two extension options, subject to consent of the respective lenders, of one year each and allowing for the final maturity date to be extended to February 1, 2023, or February 1, 2024.

The rate of interest on each loan for each interest period will be the percentage rate per annum which is the aggregate of (i) the applicable margin and (ii) EURIBOR. The margin applicable to each loan will be contingent on the solicited long-term credit rating assigned to MWFS AG by Moody's Investors Service, Inc., or S&P Global Ratings and range from 0.25% to 0.75% (0.25% in case of a rating of A- respective A3 or higher up to 0.75% in case of a rating of BB+ respective Ba1 or below). Should the solicited long-term credit ratings assigned by Moody's Investors Service, Inc., and S&P Global Ratings deviate from each other, the margin will be the average of the values assigned to the ratings. Should both Moody's Investors Service, Inc., and S&P Global Ratings cease to assign a solicited long-term credit rating, the margin will be 0.75%. Should only one of Moody's Investors Service, Inc., and S&P Global Ratings assign a solicited long-term credit rating, the margin will be determined on the basis of that solicited rating.

Voluntary prepayments of loans by MWFS AG will be permitted subject to certain customary requirements.

A lender may cancel its commitments and demand prepayment of all its participation in any loans in case of illegality.

In the case of a change of control event and, as a result, either no long-term credit rating being assigned to MWFS AG, or the long-term credit rating assigned to MWFS AG by Moody's Investors Service, Inc., being less than Baa3, or by S&P Global Ratings being less than BBB-, MWFS AG will be obligated to notify the agent promptly upon becoming aware thereof. For a period of 45 days after the earlier of (x) the notification of the agent by MWFS AG, or (y) the public announcement of the loss or downgrade of the long-term credit rating, MWFS AG may only select loans with a term of one month or less. Further, any lender may, within 14 days following the earlier of the aforementioned dates, cancel its commitments and demand repayment of all its participations in any loans on their respective maturity date. Should lenders whose aggregate commitment is greater than two thirds of the total commitment cancel their commitments and demand prepayment of their participations in any loans, all commitments shall be cancelled by notice from the agent and all outstanding loans shall be repaid on the earlier of their respective maturity date or the date falling 30 days after the agent's notification.

11.2.1.3. EUR 900 Million Revolving Facility Agreement

Upon effectiveness of the Hive-Down, MWFS AG will also become borrower under a EUR 900 million facility agreement (the "**EUR 900 Million Revolving Facility Agreement**"), originally dated April 30, 2014, and as amended and restated by a Demerger Consent, Amendment and Restatement Agreement, among MWFS AG as borrower, ING Bank, a Branch of ING-DiBa AG, and The Royal Bank of Scotland plc as coordinators, The Royal Bank of Scotland plc as agent and other financial institutions, as the case may be, as lenders and/or arrangers. The EUR 900 Million Revolving Facility Agreement will provide for a revolving loan facility denominated in Euros in an aggregate amount of EUR 900 million. The revolving facility may be used for general corporate purposes.

Revolving loans may be drawn for interest periods of one, two, three or six months or any other period not exceeding twelve months that is agreed between MWFS AG and the lenders.

The EUR 900 Million Revolving Facility Agreement will include representations, general covenants (including a negative pledge, restrictions on disposals and mergers, and certain compliance covenants, subject to specific baskets and/or exceptions) and events of default (including cross-default provisions) which MWFS AG considers customary for an investment grade financing.

The final maturity date of the revolving facility will initially be April 30, 2021.

The rate of interest on each loan for each interest period will be the percentage rate per annum which is the aggregate of (i) the applicable margin and (ii) EURIBOR. The margin applicable to each loan will be contingent on the solicited long-term credit rating assigned to MWFS AG by Moody's Investors Service, Inc., and S&P Global Ratings and range from 0.30% to 0.80% (0.30% in case of a rating of A- respective A3 or higher up to 0.80% in case of a rating of BB+ respective Ba1 or below). Should the solicited long-term credit ratings assigned by Moody's Investors Service, Inc., and S&P Global Ratings deviate from each other, the margin will be the average of the values assigned to the ratings. Should both Moody's Investors Service, Inc., and S&P Global Ratings cease to assign a solicited long-term credit rating, the margin will be 0.80%. Should only one of Moody's Investors Service, Inc., and S&P Global Ratings assign a solicited long-term credit rating, the margin will be determined on the basis of that solicited rating.

Voluntary prepayments of loans by MWFS AG will be permitted subject to certain customary requirements.

A lender may cancel its commitments and demand prepayment of all its participation in any loans in case of illegality.

In the case of a change of control event and as a result, either no long-term credit rating being assigned to MWFS AG, or the long-term credit rating assigned to MWFS AG by Moody's Investors Service, Inc., being less than Baa3, or by S&P Global Ratings being less than BBB-), MWFS AG will be obligated to notify the agent promptly upon becoming aware thereof. For a period of 45 days after the earlier of (x) the notification of the agent by MWFS AG, or (y) the public announcement of the loss or downgrade of the long-term credit rating, MWFS AG may only select loans with a term of one month or less. Further, any lender may, within 14 days following the earlier of the aforementioned dates, cancel its commitments and demand repayment of all its participations in any loans on their respective maturity date. Should lenders whose aggregate commitment is greater than two thirds of the total commitment cancel their commitments and demand prepayment of their participations in any loans, all commitments shall be cancelled by notice from the agent and all outstanding loans shall be repaid on.

11.2.2. Promissory Note Loan (*Schuldscheindarlehen*)

The Existing Shareholder concluded three promissory note loans (*Schuldscheindarlehen*) with Bayerische Landesbank acting as agent, each dated March 8, 2012, one of which has been repaid early:

- a promissory note loan (*Schuldscheindarlehen*) in the original notional amount of EUR 25.5 million, with interest in the amount of six-month EURIBOR plus 1.70% per annum, maturity date on March 14, 2018, which has been repaid early in full as of March 31, 2017;
- a promissory note loan (*Schuldscheindarlehen*) in the original amount of EUR 41 million, with 3.44% interest per annum, maturity date on March 14, 2018, and with an outstanding amount of EUR 9 million as of March 31, 2017; and
- a promissory note loan (*Schuldscheindarlehen*) in the original amount of EUR 54 million, with 4.27% interest per annum, maturity date on March 14, 2022, and with an outstanding amount of EUR 54 million as of March 31, 2017;

for an aggregate amount of EUR 63 million outstanding as of March 31, 2017, which will be transferred to the Company upon effectiveness of the Hive-Down.

The terms of these promissory note loans (*Schuldscheindarlehen*) include covenants such as a negative pledge undertaking and events of default (including cross-default provisions), which MWFS AG considers customary for such financing.

11.2.3. Bonds

The Existing Shareholder and METRO Finance, B.V., a wholly-owned subsidiary of the Existing Shareholder as of the date of the Prospectus, maintain a EUR 6 billion debt issuance program (the "**Debt Issuance Program**") with the Existing Shareholder as issuer and guarantor, METRO Finance B.V. as issuer, Deutsche Bank as arranger, and certain financial institutions as dealers. Bonds issued by METRO Finance B.V. under the Debt Issuance Program are guaranteed by the Existing Shareholder.

The Debt Issuance Program (including all bonds issued), the shares of the Existing Shareholder in METRO Finance B.V. as well as the guarantees given by the Existing Shareholder for bonds issued by METRO Finance B.V. form part of the assets to be hived-down and will be transferred to the Company.

Following the Hive-Down, the Company will be the issuer of six bonds which have initially been issued by the Existing Shareholder under the Debt Issuance Program. As of March 31, 2017, the nominal values of the bonds amount to EUR 1.751 billion. The bonds have maturity dates between February 13, 2018, and August 9, 2027.

Furthermore, METRO Finance B.V. has issued four bonds with maturity dates between July 27, 2017, and July 11, 2022, under the Debt Issuance Program. The nominal values of such bonds amount to EUR 750 million as of March 31, 2017. Following the Hive-Down, MWFS AG will act as guarantor in respect of the bonds.

The terms of the bonds include covenants such as a negative pledge undertaking and events of default (including cross-default provisions), which MWFS AG considers customary for such bonds.

Further details of the bonds as of March 31, 2017 are set out in the table below:

Issuer following the Demerger	Nominal values (in EUR million)	Carrying amounts (in EUR million)	Fair values (in EUR million)	Coupon (in %, unless otherwise indicated)	Maturity
MWFS AG	50	50	52	3.5%	February 13, 2018
MWFS AG	500	501	534	3.375%	March 1, 2019
MWFS AG	500	500	511	1.375%	October 28, 2021
MWFS AG	51	52	59	4%	July 10, 2024
MWFS AG	600	598	577	1.5%	March 19, 2025
MWFS AG	50	51	58	4%	August 9, 2027
METRO Finance B.V.	125	126	139	4.05%	January 20, 2020
METRO Finance B.V.	75	77	87	4%	July 11, 2022
METRO Finance B.V.	50	50	50	6-month EURIBOR + 1.25	July 27, 2017
METRO Finance B.V.	500	509	522	2.25%	May 11, 2018
Total/Average	**2,501**	**2,514**	**2,590**	**N/A**	**N/A**

11.2.4. Commercial Paper Program

The Company can further avail itself of a EUR 2 billion multi-currency commercial paper program governed by German law (the "**German Commercial Paper Program**"), originally launched by the Existing Shareholder as issuer, Deutsche Bank as arranger, and certain financial institutions as dealers. The German Commercial Paper Program forms part of the assets to be hived-down and provides for the Company to issue multi-currency short-term notes up to an amount of EUR 2 billion.

The conditions of issue include covenants such as a negative pledge undertaking and events of default (including cross-default provisions), which MWFS AG considers customary for such notes.

As of September 30, 2016, no notes have been issued under the German Commercial Paper Program. Between January 10, 2017 and March 31, 2017, we issued notes with a nominal value

of EUR 1,541 million under our German Commercial Paper Program. The proceeds from these issuances have been used, in particular, for the payment of the purchase price for the abovementioned acquisition of the Pro à Pro group, the repayment of a bond with a nominal value of EUR 622 million and a coupon of 4.25% with a maturity on February 22, 2017 and the payout of a claim of CE Group against us in connection with the dividends payable to the shareholders of METRO AG (to the extent this payout was attributable to the MWFS Group). As of March 31, 2017, the amount utilized by the German Commercial Paper Program was at a nominal value of EUR 1,101 million.

11.2.5. Other Financial Agreements

We have furthermore procured bilateral credit commitments from J.P. Morgan of EUR 100 million, Bank of America Merrill Lynch of EUR 50 million, Landesbank Baden-Württemberg of EUR 50 million and Mizuho of EUR 50 million. The terms of such credit commitments range between one and three years upon completion of the Demerger.

The Existing Shareholder as borrower has entered into a bilateral loan agreement with Bayerische Landesbank that is subsidized by the Kreditanstalt für Wiederaufbau for an outstanding amount of EUR 216,720 as of March 31, 2017, with an interest rate of 1.99% and a maturity date on June 30, 2017. Following the Hive-Down, this loan — if not fully amortized — will be transferred to the Company. We can further avail ourselves of another bilateral loan agreed with Bayerische Landesbank that is subsidized by the Kreditanstalt für Wiederaufbau for an outstanding amount of EUR 8,290,670 as of March 31, 2017, with an interest rate of 1.15% and a maturity date on March 31, 2021.

11.3. Other Material Contracts

Other contracts which we consider material relate to purchasing co-operations.

11.3.1. Co-operation Agreement Between Real, METRO Cash & Carry Deutschland GmbH and MARKANT

On April 16, 2015, MARKANT Handels- und Industriewaren-Vermittlungs AG (Switzerland) ("**Markant**") and real,- SB-Warenhaus GmbH and METRO Cash & Carry Deutschland GmbH entered into an agreement to receive the Markant membership, which, *inter alia*, incorporates a European co-operation agreement regarding the centralized settlement and procurement of merchandise agreements ("**Settlement Agreement**"), a compensation agreement covering the entire German merchandise business of both entities as well as a brokerage agreement on goods ("**Brokerage Agreement**"). A Settlement Agreement and a Brokerage Agreement were also concluded between Markant and Multi-Center Warenvertriebs GmbH, a Group company, dated March 31, 2016. The Markant membership has a fixed initial term. The Settlement Agreements enable Markant, *inter alia*, to conclude contracts with the suppliers and regulate payment for METRO Cash & Carry Deutschland GmbH, Multi-Center Warenvertriebs GmbH and real,- SB-Warenhaus GmbH for procurement in Germany, which in turn must settle any payments to the suppliers to Markant. In addition, Markant offers services to its members such as a media database and market research. Markant receives consideration under the Settlement Agreements as agreed in separate compensation agreements, and METRO Cash & Carry Deutschland GmbH, Multi-Center Warenvertriebs GmbH and real,- SB-Warenhaus GmbH receive incentives for certain sales they make via Markant. The Brokerage Agreement governs the brokerage of products and services by Markant to the respective parties of the agreement.

11.3.2. Co-operation Agreement Between Real and PHD

On May 20, 2015, Real — through real,- SB-Warenhaus GmbH — and Privates Handelshaus Deutschland GmbH ("**PHD**") entered into a co-operation agreement for the purchase of merchandise to achieve competitive purchasing prices. PHD received a service remuneration compensation based on sales according to market practice to cover its internal costs. PHD and Real agreed to jointly negotiate with defined suppliers covered by the purchasing co-operation. The agreement also dealt with certain governance matters relating to such co-operation (such as the preparation of joint negotiations and information obligation). As of September 30, 2016, negotiations with more than 200 suppliers had been conducted under this co-operation agreement.

The agreement was terminated in the course of the establishment of the RTG co-operation, see *11.3.3. — "Co-operation Agreement Between Real and Others Relating to RTG Retail Trade Group*".

11.3.3. Co-operation Agreement Between Real and Others Relating to RTG Retail Trade Group

In November 2016, real,- Holding GmbH, Dusseldorf, Germany ("**Real Holding**"), and J. Bünting Beteiligungs AG, Bartels-Langness Handelsgesellschaft mbH & Co KG, K+K Klaas & Kock B.V. & Co. KG and Georg Jos. Kaes GmbH, some of which already participated in the PHD co-operation, entered into a framework agreement, under which the parties agreed to bundle certain activities in a joint venture in order to generate synergies. Pursuant to the framework agreement, the joint venture will comprise of a co-operation in the areas of (i) procurement of products for resale ("**Procurement Co-operation**") as well as, in each case subject to a definitive agreement, (ii) technical procurement, (iii) administrative and overhead functions, (iv) logistics and (v) e-commerce. The parties have agreed to share the synergies from their co-operation based on a mechanism to be agreed for the relevant area of co-operation. The parties plan to discuss and examine further extensions of the joint venture. The joint venture proposition and the envisaged scope of cooperation were introduced to and discussed with the German Federal Cartel Office.

The framework agreement was consummated in the end of March / beginning of April 2017. Netto ApS & Co KG acceded to the joint venture in the course of the consummation of the framework agreement. In the course of the consummation of the framework agreement, the parties or certain of their affiliates, as the case may be, have, inter alia, (i) established a new joint venture company in the form of a German limited liability company, (ii) each subscribed to an equal share in the joint venture company and provided equity and debt funding to the company pro rata to their shares, (iii) entered into a shareholders' agreement which, *inter alia*, details the governance rules applicable to the joint venture company and (iv) entered into an agreement on the Procurement Co-operation. The joint venture company is called RTG Retail Trade Group GmbH ("**RTG**"). The joint venture agreements envisage the accession of further partners; any such accession requires the consent of all existing joint venture partners.

Pursuant to the framework agreement, (i) the joint venture company will primarily provide support services to the joint venture partners and its planned revenues will only be of minor significance at least for the time being, (ii) the agreement on the Procurement Co-operation will provide for the bundling of volumes and joint negotiation of the purchase of certain products of the joint venture partners and their affiliates, and (iii) both the shareholders' agreement and the agreement on the Procurement Co-operation have an initial fixed term and will be renewed for another calendar year on a rolling basis unless and to the extent terminated in time. There are no general termination rights in case of a change of control regarding one of the joint venture partners, but a termination right will exist in case of the (partial) take over by certain direct competitors.

Governance rights of the joint venture partners are, generally speaking, linked to their respective shareholding in the joint venture company. For certain decisions a super-majority will be required (*i.e.*, all joint venture partners need to agree or at least a 75% majority is required).

We will also pool certain purchasing volumes of METRO Cash & Carry Germany via RTG.

12. GENERAL INFORMATION ON THE COMPANY AND THE MWFS GROUP

12.1. Incorporation, Entry in the Trade and Companies Register, Name

The Company was established with the articles of association dated December 18, 1997 under the legal name "LEDA Unternehmens-Verwaltungs-GmbH" in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law and registered in the commercial register of the local court (*Amtsgericht*) of Cologne under number HRB 29898. LEDA Unternehmens-Verwaltungs-GmbH was initially part of the US Walmart group and was renamed several times and relocated to Dusseldorf. In 2006, after the German Walmart business was acquired by Real, it was renamed "Zweite real,- SB-Warenhaus GmbH". By means of a notarial deed dated November 8, 2016, Zweite real,- SB-Warenhaus GmbH (renamed "METRO Wholesale & Food Specialist GmbH" as of May 18, 2016 and registered in the commercial register of the local court (*Amtsgericht*) of Dusseldorf under number HRB 75641) was transformed into a German stock corporation (*Aktiengesellschaft*) under the legal name "METRO Wholesale & Food Specialist AG". The transformation was registered in the commercial register of the Company on November 11, 2016. As of the date of the Prospectus, the Company, with its registered seat in Dusseldorf, Germany, is registered with the commercial register maintained by the local court (*Amtsgericht*) of Dusseldorf, Germany, under the registration number HRB 79055. It is intended that the Company's legal name will be changed to "METRO AG" after the Existing Shareholder, METRO AG, will have changed its legal name to "CECONOMY AG".

The Company's and the MWFS Group's commercial name is "METRO", which is currently also partly used by the Existing Shareholder and a few of its subsidiaries which are also expected to change their names. In addition, some of the Company's subsidiaries use other commercial names reflecting other important Group brands, in particular, "makro" and "real,-". For further information on the Group's brands, see the section entitled *10.17*. "*Business — Intellectual Property*".

12.2. Domicile, Legal Form, Legislation, Financial Year, Registered Office, Duration, Corporate Purpose

The Company is a German stock corporation (*Aktiengesellschaft*) domiciled in Germany. It was incorporated in Germany and is governed by the laws of Germany. The financial year of the Company runs from October 1 of each calendar year until September 30 of the following calendar year.

The registered office and business address of the Company is located at Metro-Straße 1, 40235 Dusseldorf, Germany; Telephone (+49) (0)211 6886 0, Internet address: http://www.metroag.de.

The Company is established for an indefinite period of time.

According to Section 2 of the Articles of Association, the purpose of the Company encompasses the management and promotion of trading and service enterprises engaging particularly in the following areas:

- Trading businesses of all kinds related to the operation of retailing enterprises, mail order, wholesale trade and sales channels based on new electronic media;
- Manufacturing and development of products that may be the object of commerce and of services;
- Execution of real-estate transactions of all kinds including property development;
- Services, in particular, in connection with trading, catering, consumer goods and logistics as well as trade-related digital business models;
- Brokering of financial services for, through or by affiliates and subsidiaries; and
- Asset management.

The Company may perform all and any acts and actions, and transact any businesses, which appear or are deemed expedient to the Company's purpose or are directly or indirectly related

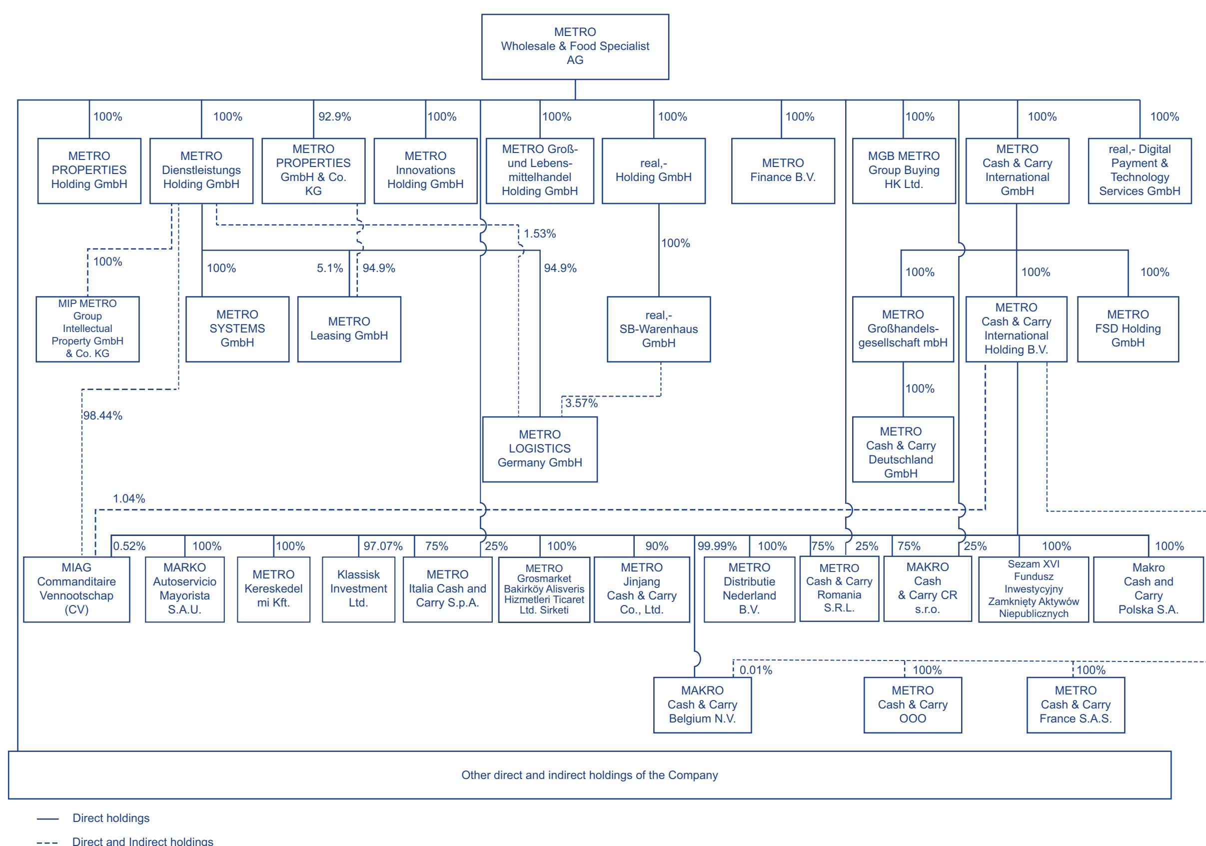
thereto. The Company may also itself directly engage in any of the above stated business areas. Any such business as requires specific governmental permits, licenses or approvals may not be transacted until after such permits, licenses or approvals have been granted. The Company may establish, form, acquire, manage or purchase equity interests, whether by minority shareholding or otherwise, in, or sell or dispose of, any such enterprises in Germany and abroad active in the above stated business areas. The Company may group its shareholdings under its uniform control or confine itself to the management of such affiliates/ shareholdings.

12.3. Group Structure

Upon completion of the Demerger, the MWFS Group will be headed by the Company with its registered seat in Dusseldorf, Germany. Our Group has more than 400 entities, most of which will, upon completion of the Demerger, be wholly-owned directly or indirectly by the Company. In a few cases, the Company indirectly holds participations of 50% or less, for example, in the case of joint ventures or strategic participations.

The structure of the Group has changed in the last years, in particular, due to several acquisitions and a few divestments as well as contributions and transfers of certain companies to the Company or its direct or indirect subsidiaries as well as corporate measures carried out in preparation of the Demerger (for more information on such measures, see *3.2. "The Demerger and Listing — Demerger Procedure"*).

The following chart provides an overview of certain direct and indirect shareholdings of the Company immediately following the completion of the Demerger in simplified form:



12.4. Auditors

The Company has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, with registered seat in Berlin, Germany, ("**KPMG**") through its Dusseldorf office, Tersteegenstraße 19-23, 40474 Dusseldorf, Germany, and through its Cologne office, Barbarossaplatz 1a, 50674 Cologne, Germany, as its auditor of the Audited Unconsolidated Financial Statements in accordance with the German Commercial Code (*Handelsgesetzbuch*) and of the Audited Combined

Financial Statements prepared in accordance with IFRS. KPMG conducted its audit of the Audited Combined Financial Statements in accordance with International Standards on Auditing (ISA). The Audited Unconsolidated Financial Statements of the Company were prepared in accordance with German generally accepeted accounting principles (German GAAP). KPMG conducted its audit of the Audited Unconsolidated Financial Statements of the Company in accordance with German generally accepted auditing standards (GAAS). The Unaudited Condensed Combined Interim Financial Statements prepared in accordance with IAS 34 (*Interim Financial Reporting*) have not been audited. KPMG is a member of the German Chamber of Public Accountants (*deutsche Wirtschaftsprüferkammer*) and a member of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*). See also *2.7. "General Information — Note Regarding the Presentation of Certain Financial Information"*.

12.5. Publications, Paying Agent

In accordance with its Articles of Association, announcements of the Company are published in the German Federal Gazette (*Bundesanzeiger*). Information directed at the holders of listed securities issued by the Company may, as far as legally permissible, also be provided to them via remote data transmission (*Datenfernübertragung*).

Announcements in connection with the approval of the Prospectus or any supplements thereto are to be made in accordance with the regulations of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and in the form of publication stipulated for the Prospectus, in particular, through publication on the Company's website (http://www.metroag.de/en/investors/publications). Printed copies of the Prospectus are available at the offices of the Company during regular business hours (Metro-Straße 1, 40235, Dusseldorf, Germany).

The paying agent is Deutsche Bank AG. The mailing address of the paying agent is: Taunusanlage 12, 60325 Frankfurt, Germany.

13. SHAREHOLDER STRUCTURE

Prior to the completion of the Demerger and the Listing, the Existing Shareholder, METRO AG, Dusseldorf, Germany, holds directly and indirectly through its wholly-owned subsidiary, ZH KG, 100% of the Ordinary Shares and of the Preference Shares currently issued by the Company.

The main shareholder groups of the Existing Shareholder are Haniel, Schmidt-Ruthenbeck and Beisheim, which hold as of the date of the Prospectus, approximately 24.996%, approximately 15.772% and approximately 9.100% of the ordinary shares in the Existing Shareholder, respectively, based on the latest voting rights notifications according to Section 21 et seq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*) received by the Existing Shareholder. The remaining approximately 50.132% of the ordinary shares are held by other shareholders (including a large number of national and international investors).

Based on the abovementioned information and the provisions regarding the allocation of Shares set out in the Demerger Agreement, the shareholder structure of the Company with respect to the Ordinary Shares will be as shown below prior to and upon completion of the Demerger, respectively:

	Shareholding with respect to Ordinary Shares			
	Prior to the Demerger		Upon completion of the Demerger	
Name of Shareholder (group)	No. of Ordinary Shares	As a % (approximately)	No. of Ordinary Shares	As a % (approximately)
METRO AG	0	0	3,601,217	1.00
ZH KG	32,410,956	100.00	32,410,956	9.00
Haniel.	0	0	81,015,280	22.50
Schmidt-Ruthenbeck	0	0	51,117,363	14.19
Beisheim	0	0	29,493,970	8.19
Others	0	0	162,482,950	45.12
Total	**32,410,956**	**100.00**	**360,121,736**	**100.00**

Based on the same information, the shareholder structure of the Company with respect to the Preference Shares will be as shown below prior to and upon completion of the Demerger, respectively:

	Shareholding with respect to Preference Shares			
	Prior to the Demerger		Upon completion of the Demerger	
Name of Shareholder (group)	No. of Preference Shares	As a % (approximately)	No. of Preference Shares	As a % (approximately)
METRO AG	0	0	29,755	1.00
ZH KG	267,796	100.00	267,796	9.00
Others	0	0	2,677,966	90.00
Total	267,796	100.00	2,975,517	100.00

14. INFORMATION ON THE SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

14.1. Share Capital and Shares

As of the date of the Prospectus (and prior to completion of the Demerger), the Company's share capital amounts to EUR 32,678,752.00. It is divided into 32,410,956 Ordinary Shares (ordinary bearer shares with no par value (*Stückaktien*)) and 267,796 Preference Shares (non-voting preference bearer shares with no par value (*Stückaktien*)). Each of the Ordinary Shares and of the Preference Shares has a *pro rata* amount of EUR 1.00 in the share capital. The share capital of the Company is fully paid up.

On February 10, 2017, the extraordinary general shareholders' meeting of the Company resolved to increase the Company's share capital by EUR 3,630,972.00 to EUR 36,309,724.00 against contribution in kind of parts of the MWFS Business by way of the Hive-Down, through the issuance of 3,601,217 Ordinary Shares and 29,755 Preference Shares, each with a *pro rata* amount of EUR 1.00 in the share capital (the "**New Shares I**"). On February 10, 2017, the extraordinary general shareholders' meeting of the Company further resolved to increase the Company's share capital by EUR 326,787,529.00 to EUR 363,097,253.00 against contribution in kind of parts of the MWFS Business by way of the Spin-Off, through the issuance of 324,109,563 Ordinary Shares and 2,677,966 Preference Shares, each with a *pro rata* amount of EUR 1.00 in the share capital (the "**New Shares II**", together with the New Shares I the "**New Shares**"). Registration of the capital increases in connection with the Hive-Down and the Spin-Off in the commercial register is expected to occur prior to or on the Registration Date. Thereafter, the share capital of the Company will amount to EUR 363,097,253.00 and will be divided into 360,121,736 Ordinary Shares and 2,975,517 Preference Shares, each with no par value.

Each of the Ordinary Shares entitles the shareholder to one vote at the general shareholders' meeting of the Company. There are no restrictions on voting rights. The Ordinary Shares carry full dividend rights for their holders for the dividends declared by the Company for the full financial year ending September 30, 2017 and for all subsequent financial years.

Except as otherwise provided by law and the Articles of Association, the Preference Shares do not entitle the shareholder to vote at the general shareholders' meeting. However, each of the Preference Shares entitles the shareholder to one vote at the general shareholders' meeting of the Company if the preferred dividend (as set out below) is not paid or not paid in full in any given year and if the amounts in arrear are not paid in the next following year, together with the full preferred dividend for such year. The Preference Shares carry full dividend rights for their holders for the dividends declared by the Company for the full financial year ending September 30, 2017 and for all subsequent financial years.

The holders of Preference Shares will receive from the annual net earnings a preferred dividend of EUR 0.17 per each of the Preference Shares. Should the net earnings available for distribution not suffice in any one financial year to pay the preferred dividend, the arrears (excluding any interest) shall be paid from the net earnings of future financial years in an order based on age, *i.e.,* in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a financial year are not distributed until any accumulated arrears have been paid in full. After the preferred dividend has been distributed, the holders of Ordinary Shares will receive a dividend of EUR 0.17 per each of the Ordinary Shares. Thereafter, an extra dividend will be paid to the holders of Preference Shares. The extra dividend shall amount to 10% of such dividend as will be paid to the holders of Ordinary Shares provided that such dividend equals or exceeds EUR 1.02 per each of the Ordinary Shares. The holders of Preference Shares and Ordinary Shares will equally share in any additional profit distribution in the proportion of their shares in the capital stock.

Pursuant to the Articles of Association, the Company may resolve on the issuance of further preference shares which, in respect of the distribution of profits or the Company's assets, may rank prior to, or *pari passu* with, the Preference Shares.

In the event of the Company's liquidation, the Company's assets remaining after satisfaction of all liabilities of the Company will be distributed to the shareholders in proportion to their interest in the Company's share capital.

As of the date of the Prospectus, the Company and its subsidiaries hold no shares in the Company.

14.2. Certification and Transferability of the Shares

The form of the physical share certificates, dividend warrants and renewal coupons is determined by the Company's Management Board with the approval of the Supervisory Board. The Company may issue multiple share certificates evidencing several shares, so-called global certificates (*Globalurkunden*). Section 4 (6) sentence 3 of the Company's current Articles of Association stipulates that the shareholders' right to certification of their respective Shares, dividends, warrants and renewal coupons is excluded to the extent legally permitted and unless such issuance is required in accordance with the rules of a stock exchange on which the Shares are admitted to trading.

All Shares are held in collective safe custody accounts. The Shares are represented by permanent global certificates (*Globalurkunden*) deposited with Clearstream Banking AG, Mergenthalerallee 61, 65670 Eschborn, Germany. For the timetable relating to the issuance of global certificates for the New Shares and delivery of the New Shares, see *3.7. "The Demerger and Listing — Timetable of the Demerger and Listing"*.

Except for the restrictions described under *3.11.* "*The Demerger and Listing —Listing Agreement, Fees, Indemnity, Lock-up*" and *3.2. "The Demerger and Listing — Demerger Procedure"*, there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

14.3. Development of the Share Capital over the Past Three Years and in the Course of the Demerger

After numerous changes to its corporate structure including changes of the corporate name and seat, the share capital of the Company (at such time still incorporated as a German limited liability company which had recently changed its corporate name to METRO Wholesale & Food Specialist GmbH) amounted to EUR 204,517,000.00 immediately prior to November 8, 2016.

On November 8, 2016 the extraordinary general shareholders' meeting of METRO Wholesale & Food Specialist GmbH resolved to transform the company into a German stock corporation (*Aktiengesellschaft*). The Company's share capital initially remained unchanged and by operation of law became the share capital of METRO Wholesale & Food Specialist AG, divided into 32,410,956 no-par value Ordinary Shares and 267,796 no-par value Preference Shares, each such no-par value share corresponding to a notional portion of the share capital of approximately EUR 6.2584.

On November 16, 2016, the extraordinary general shareholders' meeting of MWFS AG resolved to reduce the share capital by EUR 171,838,248.00 to EUR 32,678,752.00. The issued share certificates remain valid and each no-par value share represents a correspondingly reduced notional portion of the share capital of EUR 1.00.

These no-par value shares are fully paid up and carry full dividend rights for their holders for the dividends declared by the Company for the full financial year ending September 30, 2017 and for all subsequent financial years.

In order to create the New Shares, which will be issued to the shareholders of the Existing Shareholder pursuant to the Demerger, the Company's general meeting resolved on February 10, 2017 to increase the share capital of EUR 32,678,752 first by EUR 3,630,972.00 and then by EUR 326,787,529.00 to overall EUR 363,097,253.00; see also *14.1.* "*— Share Capital and Shares*".

14.4. Authorized Share Capital

The extraordinary general shareholders' meeting of the Company held on April 11, 2017 resolved to create an authorized share capital, which is expected to be registered in the commercial register shortly after the completion of the Demerger, as follows:

The Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the Company on one or more occasions on or before February 28, 2022 by

issuing new ordinary bearer shares in exchange for contributions in cash or in kind up to a maximum of EUR 181,000,000.00 (the "**Authorized Capital**"). As a general rule, the shareholders are entitled to receive subscription rights in this respect. The new shares may also be assumed by credit institutions or comparable enterprises according to Section 186 (5) sentence 1 of the German Stock Corporation Act (*Aktiengesetz*) designated by the Management Board subject to the obligation to offer them to the shareholders for subscription.

However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription right in each of the following cases:

- for the compensation of residual amounts;
- if the shares are issued in exchange for contributions in kind for the purpose of corporate mergers or for the acquisition of companies, divisions of companies, operational activities, branches of activity or interests in companies;
- in the event of a capital increase in exchange for cash contributions to the extent necessary to grant subscription rights to new ordinary shares to the holders of warrant or convertible bonds issued by the Company or such affiliates in which the Company holds at least 90% of the shares, directly or indirectly, in the scope to which they would be entitled upon exercise of the warrant or conversion right or fulfillment of the warrant or conversion obligation, or upon exercise of a substitution right of the Company as shareholder;
- in the event of a capital increase in exchange for cash contributions, if the aggregate nominal value of such capital increase does not exceed 10% of the Company's capital stock and the issue price of the new shares is not substantially lower than the stock exchange price of the Ordinary Shares with the same features that are already listed. The limit of 10% of the capital stock is diminished by the portion of the capital stock attributable to the Company's treasury shares which during the term of the authorized capital (i) are used or disposed of as treasury shares with an exclusion of the shareholders' subscription rights in application, mutatis mutandis, of Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*), or (ii) are issued from contingent capital to satisfy warrant or convertible bonds which themselves were or are issued without subscription rights in application, mutatis mutandis, of Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*).

The portion of the capital stock attributable to shares that are being issued in exchange for contributions in cash and/or in kind during the term of this authorization with an exclusion of the shareholders' subscription rights may not exceed 20% of the Company's capital stock.

The Management Board is authorized, with the approval of the Supervisory Board, to set other details of the capital increases.

14.5. Contingent Capital

On April 11, 2017, the extraordinary general shareholders' meeting of the Company resolved pursuant to Sections 192 et seq. of the German Stock Corporation Act (*Aktiengesetz*) to conditionally increase the Company's share capital by up to EUR 16,339,376.00 divided into up to 16,339,376 ordinary bearer shares with no par value (*Stückaktien*) (the "**Contingent Capital**"). The registration of the Contingent Capital in the commercial register is expected to occur on or shortly after the completion of the Demerger.

The conditional capital increase shall only be executed insofar as the holders of warrant or conversion rights or those with conversion or warrant obligations arising from warrant or convertible bonds issued or guaranteed by the Company or an affiliate of the Company in terms of Section 18 German Stock Corporation Act (*Aktiengesetz*), in which the Company holds at least 90% of the shares, directly or indirectly, based on the authorization adopted by the extraordinary general shareholders' meeting of April 11, 2017 (see *14.6. "— Authorization to Issue Warrant and Convertible Bonds and to Exclude Subscription Rights to these Warrant or Convertible Bonds")*, exercise their warrant or conversion rights or, insofar as they are obligated for conversion or to exercise warrants, fulfill their obligation for conversion or for exercise of warrants, or insofar as the Company exercises an option to provide ordinary shares of the Company in lieu of paying the cash amount due, whole or in part. The conditional capital

increase shall not be executed to the extent cash settlement is provided or treasury shares or shares of another listed company are used for fulfillment.

The respective warrant or conversion price to be determined for each ordinary bearer share must, also in the case of a variable conversion ratio/warrant or conversion price, either equal at least 80% of the average closing price of the Ordinary Shares in Xetra trading on the Frankfurt Stock Exchange (or a functionally comparable successor system to the Xetra system) on the ten exchange trading days prior to the date the resolution is adopted by the Management Board regarding the issuance of the warrant or convertible bonds or – in the event subscription rights are granted – at least 80% of the average closing price of the Ordinary Shares in Xetra trading on the Frankfurt Stock Exchange (or a functionally comparable successor system to the Xetra system) during the subscription period, with the exception of the days of the subscription period required for timely announcement of the warrant or conversion price pursuant to Section 186 (2) sentence 2 German Stock Corporation Act (*Aktiengesetz*).

The new ordinary bearer shares participate in profits from the beginning of the financial year in which they are created based on the exercise of warrant or conversion rights or the fulfillment of warrant or conversion obligations. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

14.6. Authorization to Issue Warrant and Convertible Bonds and to Exclude Subscription Rights to these Warrant or Convertible Bonds

In addition to the aforementioned Contingent Capital the extraordinary shareholders' meeting of the Company dated April 11, 2017, adopted the following resolution:

a) Creation of an authorization for the issue of warrant or convertible bonds and for the exclusion of the subscription right for these warrant or convertible bonds

   The Management Board is authorized, with the approval of the Supervisory Board, to issue warrant or convertible bonds made out to the bearer (together the "**Bonds**"), once or several times, on or before February 28, 2022, with a total nominal amount of up to EUR 1,500,000,000.00 and to grant or impose, as applicable, warrant rights or obligations to/on the holders of warrant bonds or, respectively, conversion rights or obligations to/on the holders of convertible bonds for ordinary shares of the Company made out to the bearer with a proportionate amount of the registered capital stock of up to a total of EUR 16,339,376.00, subject to the more detailed provisions of the Bond conditions.

   The Bonds may also be issued by an affiliate of the Company as defined in section 18 German Stock Corporation Act (*Aktiengesetz*) in which the Company directly or indirectly holds at least 90% of the shares. In that case, the Management Board is authorized, with the approval of the Supervisory Board, to grant a guarantee for these Bonds on behalf of the Company and to grant or impose to/on their holders, as applicable, warrant or conversion rights or obligations for ordinary shares of the Company made out to the bearer.

   The statutory subscription right is granted to the shareholders in such manner that the Bonds are issued to a financial institution or a syndicate of financial institutions, subject to the obligation to offer them to the shareholders for subscription. Where Bonds are issued by an affiliate of the Company as defined in Section 18 German Stock Corporation Act (*Aktiengesetz*) in which the Company directly or indirectly holds at least 90% of the shares, the Company has to ensure the granting of the statutory subscription right for the shareholders of the Company in accordance with the preceding sentence.

   However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right for fractional amounts resulting from the subscription ratio and also to exclude the subscription right to such extent as is necessary in order to be able to grant those to/on whom previously issued warrant or conversion rights or, respectively, obligations have been granted or imposed, a subscription right to such extent as they would be entitled to as shareholders upon exercising their warrant or conversion rights or, respectively, fulfilling their warrant or conversion obligation.

The Management Board is further authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right in its entirety for Bonds issued with warrant or conversion rights or warrant or conversion obligations which are issued against cash payment, provided that the Management Board, upon a duly conducted examination, comes to the conclusion that the issue price of the Bonds is not significantly lower than their hypothetical market price determined in accordance with generally accepted, especially financial mathematical, methods. This authorization for the exclusion of the shareholders' subscription right applies to Bonds carrying a warrant or conversion right or a warrant or conversion obligation for shares with a total proportionate amount of the capital stock which may not exceed 10% of the capital stock, at the point in time of the becoming effective of this authorization or – if that value is lower – at the point in time of the exercise of this authorization. This 10% limit is to be diminished by such portion of the capital stock (i) attributable to shares of the Company which during the term of this authorization are issued or disposed of with an exclusion of the shareholders' subscription rights in application, directly or mutatis mutandis, of Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*), or (ii) attributable to shares of the Company which are issued or have to be issued to satisfy warrant or convertible bonds which themselves were issued (on the basis of other authorizations) with an exclusion of subscription rights in application, mutatis mutandis, of Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*) during the term of this authorization.

In the case of an issuance of Bonds granting a warrant or conversion right or imposing a warrant or conversion obligation, the warrant or conversion price is to be determined in accordance with the provisions in Section 4 (8) of the 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 in accordance with the terms and conditions of the Bonds in order to preserve the value if there is an economic dilution of the value of the warrant or conversion rights or warrant or conversion obligations, provided that such adjustment is not already provided for by statutory law. In addition, the Bond conditions may stipulate an adjustment of the warrant or conversion rights or warrant or conversion obligations, respectively, in the case of a capital reduction or other extraordinary measures or events (such as unusually high dividends or an acquisition of control by third parties). In the event of an acquisition of control by a third party, an adjustment of the warrant or conversion price may be provided for to the extent this is customary in the market. Furthermore, the conditions of the Bonds may provide that the conversion ratio and/or the warrant or conversion price are variable and that the warrant or conversion price will be stipulated within a predetermined range, depending on the development of the share price during the term. In this respect, too, the issue price may not fall short of the minimum issue price pursuant to the provisions in section 4 (8) of the Articles of Association.

The Bond conditions may provide, in the event of a conversion or exercise of the warrant, for the right of the Company to pay, instead of the granting of shares, a cash amount which for the number of shares otherwise to be delivered corresponds to the volume-weighted average stock market price of the ordinary shares of the Company in Xetra trading (or a functionally comparable successor system to the Xetra system) at the Frankfurt Stock Exchange during an appropriate period of days before or after the declaration of the conversion or the exercise of the warrant which is to be determined by the Management Board. The Bond conditions may also provide that at the choice of the Company the conversion is made, instead of new shares from the Contingent Capital, into already existing ordinary shares of the Company or shares of another listed company or that the warrant right or the warrant obligation may be fulfilled by delivery of such shares.

The Bond conditions may also provide for a warrant or conversion obligation at the end of their term (or at another point in time) or for the right of the Company to grant to the creditors of the Bonds, upon the final maturity of the Bonds carrying warrant or conversion rights (this also includes maturity by virtue of a termination), in whole or in part, shares of the Company or shares of another listed company instead of the payment of the amount in cash due. The proportionate amount of the capital stock of

the ordinary shares of the Company to be issued upon conversion or exercise of the warrant may not exceed the nominal value of the Bonds. Compliance with Sections 9 (1) and 199 (2) German Stock Corporation Act (*Aktiengesetz*) is necessary.

The Management Board is authorized, with the approval of the Supervisory Board, to determine or, as the case may be, to determine in agreement with the corporate bodies of the affiliate of the Company as defined in Section 18 German Stock Corporation Act (*Aktiengesetz*) issuing the Bonds, the additional details relating to the issue and the terms and conditions of the Bonds including, in particular, the interest rate, issue price, term and denomination, the dilution protection provisions as well as the warrant or conversion period.

b) Authorization of the Supervisory Board to amend Section 4 (8) of the Articles of Association (Contingent Capital)

The Supervisory Board is authorized to make amendments to Section 4 (8) of the Articles of Association in accordance with the respective utilization of the Contingent Capital. The same shall apply in the event that the authorization for the issue of warrant or convertible bonds has not been utilized after the term of the authorization has expired, as well as in the event that the Contingent Capital has not been utilized after the periods for the exercise of warrant or conversion rights or, respectively, for the fulfillment of warrant or conversion obligations have expired.

c) This authorization will only take effect upon registration of the Spin-Off.

14.7. Authorization to Acquire and Use Own Shares

On April 11, 2017, the extraordinary shareholders' meeting of the Company adopted a resolution on the authorization to implement share buybacks and use treasury stock, also under exclusion of subscription rights with the following content:

a) The Company is authorized, until February 28, 2022, to acquire shares of the Company, regardless of their class, in an amount of up to 10% of the capital stock existing at the point in time of this authorization becoming effective or – if this amount is lower – of the capital stock existing at the point in time of the exercise of this authorization. Together with treasury shares that may have been acquired for other reasons and that are either held by the Company or have to be attributed to the Company under Sections 71a et seqq. German Stock Corporation Act (*Aktiengesetz*), shares acquired based on this authorization may at no time exceed 10% of the Company's capital stock at such point in time. In each individual case, the acquisition is to be conducted, at the choice of the Management Board, aa) through the stock exchange or bb) by means of a purchase offer addressed to all shareholders.

aa) To the extent that the acquisition is conducted through the stock exchange, the purchase price per share (without ancillary acquisition costs) paid by the Company may not exceed or fall short of, by more than 10%, the arithmetic mean of the auction closing prices of shares of the same class of the Company in Xetra trading (or a functionally comparable successor system to the Xetra system) at the Frankfurt Stock Exchange on the last three exchange trading days before the commitment to acquire.

bb) To the extent that the acquisition is conducted through a purchase offer addressed to all shareholders, the purchase price per share (without ancillary acquisition costs) offered and paid by the Company may not exceed or fall short of, by more than 10%, the arithmetic mean of the auction closing prices of shares of the same class of the Company in Xetra trading (or a functionally comparable successor system to the Xetra system) at the Frankfurt Stock Exchange on the last three exchange trading days before the date of the publication of the offer. In the event that a significant change in the share price occurs after the publication of the offer, the offer may be adjusted. In this case, the relevant reference period is the three exchange trading days before the date of the publication of the adjustment; the 10%-limit for the exceeding or the falling short is to be applied to this amount. In the event that the purchase offer is oversubscribed, the acquisition may be conducted in accordance with the proportion of the shareholdings held by the tendering shareholders to each other (shareholding quotas) or in accordance with the proportion of the tendered shares (tendering

quotas). In addition, for the avoidance of calculational fractions of shares commercial rounding may be applied. A preferential acceptance of small numbers of shares (up to 50 tendered shares per shareholder) may be provided for.

The authorization may be exercised, in compliance with statutory requirements, for any legally permissible purpose, in particular, in pursuit of one or several of the purposes specified in lit. b). No trading in treasury shares is permitted.

b) The Management Board is authorized to use the shares of the Company acquired on the basis of the authorization in lit. a) for the following purposes:

aa) Disposal of shares of the Company (i) through the stock exchange or (ii) through an offer to all shareholders;

bb) Listing of shares of the Company on foreign stock exchanges on which they have not been admitted for trading so far. The initial price of these shares may not fall short, by more than 5%, of the arithmetic mean of the auction closing prices of the already listed shares of the Company with the same features in Xetra trading (or a functionally comparable successor system to the Xetra system) at the Frankfurt Stock Exchange on the last five exchange trading days before the date of the stock exchange listing, not including ancillary acquisition costs;

cc) Transfer of shares of the Company to third parties against consideration in kind in the course of corporate mergers or for the acquisition of enterprises, parts of enterprises, business establishments, company interests or other assets;

dd) Disposal of shares of the Company in a manner other than through the stock exchange or by way of an offer to all shareholders, provided that the disposal is made against cash payment and at a price not significantly falling short of the stock market price of the already listed shares of the Company with the same features at the point in time of the disposal. This authorization is limited to the disposal of shares representing, on aggregate, a pro-rata amount of no more than 10% of the capital stock at the point in time of the becoming effective of this authorization or – if that amount is lower – at the point in time of the exercise of this authorization. This limit of 10% of the capital stock is to be diminished by such portion of the capital stock (i) attributable to shares of the Company which during the term of this authorization are issued with an exclusion of the shareholders' subscription rights in application, directly or *mutatis mutandis*, of Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*), or (ii) attributable to shares of the Company which are issued or have to be issued to satisfy warrant or convertible bonds which themselves were issued with an exclusion of subscription rights in application, *mutatis mutandis*, of Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*) during the term of this authorization;

ee) Delivery of shares to the holders of warrant or convertible bonds of the Company or its Group companies as defined in Section 18 German Stock Corporation Act (*Aktiengesetz*) in accordance with the warrant or convertible bond conditions; this shall also apply to the delivery of shares as a result of the exercise of subscription rights which in the case of a disposal of treasury shares by means of an offer to all shareholders or in the case of a capital increase with subscription rights may be granted to the holders of warrant or convertible bonds of the Company or its Group Companies as defined in Section 18 German Stock Corporation Act (*Aktiengesetz*), to the extent to which the holders of the warrant or convertible bonds would be entitled to a subscription right for shares of the Company upon exercise of the warrant or conversion right or fulfillment of the warrant or conversion obligation. On aggregate, the shares transferred as a result of this authorization may not represent a pro-rata amount of more than 10% of the capital stock at the point in time of this authorization becoming effective or – if this amount is lower – at the point in time of the exercise of this authorization, provided that the shares are used for the fulfillment of warrant or conversion rights or warrant and conversion obligations which were granted or created in application, *mutatis mutandis*, of Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*). This limit of 10% of the capital stock is to be diminished by such portion of the capital stock attributable to shares of the Company which during the term of this authorization are issued or disposed of in application,

directly or *mutatis mutandis*, of Section 186 (3) sentence 4 German Stock Corporation Act (*Aktiengesetz*);

ff) Implementation of a so-called *scrip dividend*, in the course of which shares of the Company are used (also in part or in the form of an option) for the fulfillment of the dividend entitlements of the shareholders;

gg) Redemption of shares of the Company without a further resolution of the General Meeting. The redemption may also be conducted without a capital reduction by increase of the pro-rata amount of the other no par value shares in the capital stock of the Company. In this case, the Management Board is authorized to adjust the number of no par value shares in the Articles of Association.

All of the authorizations stated above for the acquisition and for the utilization of treasury shares acquired as a result of this authorization may be exercised in whole or in part, once or several times, individually or jointly by the Company or its Group companies as defined in Section 18 German Stock Corporation Act (*Aktiengesetz*) or for its or their account by third parties. All of the authorizations stated above may be exercised for the acquisition and for the utilization of both ordinary shares and preference shares or for the acquisition and for the utilization merely of ordinary shares or merely of preference shares. The utilization of treasury shares pursuant to the authorizations in lit. bb), cc), dd), ee), ff) and gg) requires the consent of the Supervisory Board. In case of a utilization of treasury shares pursuant to the authorizations in lit. aa) (i), bb), cc), dd) and ee), the subscription right of the shareholders is excluded. In case of utilization of treasury shares pursuant to the authorization in lit. aa) (ii) by way of an offer to all shareholders, which is made in observance of the principle of equal treatment (Section 53a German Stock Corporation Act (*Aktiengesetz*)), the Management Board is authorized to exclude the shareholders' subscription right for fractional amounts. In addition, the Management Board is authorized to exclude the subscription right in the case of a utilization of treasury shares pursuant to the authorization in lit. ff).

c) This authorization will only take effect upon registration of the Spin-Off.

14.8. General Provisions Governing a Liquidation of the Company

Besides liquidation as a result of insolvency proceedings, the Company may be liquidated, in particular, by a resolution of the general shareholders' meeting to dissolve the Company followed by a liquidation procedure. The resolution of the general shareholders' meeting requires a simple majority of the votes cast as well as a majority of at least three-fourths of the share capital represented at the time the resolution is adopted. In the liquidation procedure, the assets remaining after all Company liabilities have been satisfied are divided among the shareholders in proportion to their interest in the Company's share capital. Certain restrictions, in particular, restrictions for the benefit of creditors, must be observed.

14.9. General Provisions Governing Share Capital Increases and Decreases

The share capital of the Company may be increased against contribution in cash or against contribution in kind by a resolution of the general shareholders' meeting. According to the German Stock Corporation Act (*Aktiengesetz*), such resolution requires a simple majority of the votes cast as well as a majority of at least three-fourths of the share capital represented at the time the resolution is adopted, unless the stock corporation's articles of association provide for a different majority. The current Articles of Association of the Company provide for a simple majority of the votes cast as well as a simple majority of the share capital represented at the time the resolution is adopted unless mandatory legal provisions require a different majority.

In addition, the general shareholders' meeting may create authorized capital by a resolution requiring a simple majority of the votes cast as well as a majority of at least three-fourths of the share capital represented at the time the resolution is adopted. The authorized capital gives the Management Board authority to issue shares up to a certain amount within a period of not more than five years after registration of the authorization with the commercial register with the approval of the Supervisory Board. The nominal value of the authorized capital may not

exceed one-half of the share capital in existence at the time the authorization is registered with the commercial register. For details on the Company's authorized capital see *14.4*. "*— Authorized Share Capital*".

Furthermore, the general shareholders' meeting may resolve to create conditional capital with a simple majority of the votes cast as well as a majority of at least three-fourths of the share capital represented at the time the resolution is adopted. Conditional capital should only be created in order to grant exchange or subscription rights to holders of convertible bonds, to prepare for a business combination with one or more other companies or to grant subscription rights to employees and members of our management. In case conditional capital is created for the purpose of granting subscription rights to employees and members of the management, its nominal amount may not exceed 10% of the share capital in existence at the time the resolution is adopted, in all other cases, the nominal amount must not exceed 50%, provided, however, in both cases that it does not exceed 50% in the aggregate. For details of the Conditional Capital, see *14.5. "— Contingent Capital"*.

The general shareholders' meeting may also resolve to decrease the share capital of the Company. Again, such resolution requires a simple majority of the votes cast as well as a majority of at least three-fourths of the share capital represented at the time the resolution is adopted. A decrease of the share capital is also possible upon cancellation of treasury shares if the authorization granted to the Management Board by the general shareholders' meeting to acquire treasury shares explicitly allows for such cancellation. (For details on the authorization to acquire treasury shares including the authorization to redeem and cancel shares see *14.7. "— Authorization to Acquire and Use Own Shares"*.)

14.10. General Provisions on Subscription Rights

According to the German Stock Corporation Act (*Aktiengesetz*), each shareholder is generally entitled to subscription rights regarding new shares to be issued in a capital increase (as well as convertible bonds, warrant bonds, profit participation rights and participating bonds). Subscription rights are freely transferrable. During a specified period prior to the expiration of the subscription period, there may be trading in subscription rights on German stock exchanges. The general shareholders' meeting may exclude subscription rights in whole or in part when resolving upon a capital increase or an authorized capital. In case of authorized capital, the general shareholders' meeting may also authorize the management board to exclude the subscription rights. All such resolutions by the general shareholders' meeting require a simple majority of the votes cast as well as a majority of at least three-fourths of the share capital represented at the time the resolution is adopted. In addition, the exclusion of subscription rights requires a report by the management board demonstrating the reasons for such exclusion as well as the reasons for the proposed issue price. In particular, the exclusion of subscription rights for a new share issue is permissible if the capital is increased against contribution in cash, the amount of the capital increase does not exceed 10% of the existing share capital, and the issue price of the new shares is not significantly lower than the stock exchange price.

14.11. Exclusion of Minority Shareholders

According to Sections 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*), which govern the so-called "squeeze-out under stock corporation law", the general shareholders' meeting of a stock corporation is able, at the request of a principal shareholder holding at least 95% of the share capital, to resolve to transfer the shares of the minority shareholders to the principal shareholder against payment of an adequate cash compensation. The amount of cash compensation to be granted to the minority shareholders has to take into account the situation of the company on the date of the resolution of the shareholders' meeting. The true value of the company determines the amount of cash compensation, which is generally calculated using the capitalized earnings method (*Ertragswertmethode*) or similar generally recognized valuation methods, provided however that, in the absence of certain circumstances, the compensation must not fall short of the weighted average stock price over the last three months prior to the publication of the intention to have a "squeeze-out" resolution be passed. The minority shareholders are entitled to initiate valuation proceedings (*Spruchverfahren*), in the course of which the adequateness of the cash compensation is reviewed.

If the majority shareholder of the stock corporation is a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien*), or a Societas Europaea (European stock company), in each case having its seat in Germany, a "squeeze-out" in accordance with Section 62 of the German Transformation Act (*Umwandlungsgesetz*) can be effectuated, under certain circumstances, in order to facilitate an upstream merger of that stock corporation into its majority shareholder. Pursuant to Section 62 of the German Transformation Act (*Umwandlungsgesetz*), providing for this so-called "squeeze-out under transformation law", the majority shareholder holding at least 90% of the share capital is able to request the general shareholders' meeting to approve the squeeze-out within three months of the conclusion of the merger agreement.

In addition, according to Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), providing for a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of the target company (as defined in the German Securities Acquisition and Takeover Act) after a takeover or mandatory public offer, may within three months of the expiry of the deadline for acceptance of the offer, request the transfer of the remaining voting shares to it by court order against payment of an adequate compensation. To this end, the compensation guaranteed as part of the takeover or mandatory public offer is deemed adequate if, on the basis of the offering, the bidder has acquired shares amounting to at least 90% of the share capital affected by the offering.

Furthermore, according to Section 39c of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), the shareholders of a target company who have not accepted the offering can accept it within further three months after the acceptance period of the takeover or mandatory public offer has expired ("sell-out"), if the offeror has the right to file an application for the transfer of the outstanding voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

The provisions for a "squeeze-out under stock corporation law" cease to apply once an offeror has petitioned for a "squeeze-out under takeover law", and only apply again when these proceedings have been completed.

In addition to the legal provisions on the exclusion of minority shareholders, the German Stock Corporation Act (*Aktiengesetz*) also provides for what is called the integration of stock corporations (*Eingliederung*) in Sections 319 et seq. According to these provisions, the general shareholders' meeting of a stock corporation can approve the integration of the company in another stock corporation or Societas Europaea (European stock company) if 95% of the shares of the company to be integrated are held by the future principal company. The former shareholders of the integrated company are entitled to an adequate compensation that generally must be granted in the form of shares of the principal company while, if the principal company is a controlled company, the former shareholders may also demand an adequate compensation in cash instead of a compensation in the form of shares. Such integration is, however, only possible if the future principal company is a stock corporation with its registered office in Germany.

14.12. Mandatory Takeover Bids

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30% of the voting shares of the Company (upon admission of the Company's shares to trading on the regulated market of the Frankfurt Stock Exchange) must publish this fact, including the percentage of its voting rights, within seven calendar days by publication on the Internet and through electronic media for disseminating financial information. Subsequently, such person must submit a mandatory public tender offer to all shareholders of the Company unless an exemption from this obligation has been granted. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains several rules that provide for an attribution and aggregation of voting rights in order to ensure that the shares are attributed to the person actually controlling the voting rights attached thereto. If a person fails to give notice of reaching or exceeding the 30% threshold or fails to submit a mandatory

public tender offer, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are suspended for the duration of non-compliance under certain circumstances. In addition, a fine may be imposed.

14.13. Disclosure Requirements for Shareholdings and Other Instruments

Upon admission of the Company's shares to trading on the regulated market of the Frankfurt Stock Exchange, the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) shall apply.

Section 21 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) requires that anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in an issuer whose home country is Germany and whose shares are admitted to trading on an organized market must without undue delay, and no later than within four trading days, notify the issuer and at the same time the BaFin. The notice period commences as soon as the person obliged to notify (*Meldepflichtiger*) knows, or, under the circumstances of the case, should know, that his or her voting rights reach, exceed or fall below the abovementioned thresholds, and no later than two trading days after reaching, exceeding or falling below the threshold. Only in case that the voting rights reach, exceed or fall below the thresholds as a result of an event affecting the total number of voting rights, the notice period might then commence at a later stage. The notification requirement is set off by the establishment of an obligation to transfer such ownership.

The notice may only be issued via the use of a standard form as introduced by the German Act for the Implementation of the Transparency Directive Amendment Directive (*Gesetz zu Umsetzung der Transparenzrichtlinie-Änderungsrichtlinie*). It must include the address of the individual or entity, the share of voting rights held and the date of reaching, exceeding, or falling below the respective threshold, and must be issued via a mandatory standard form. As a domestic issuer, the Company must publish such notices immediately, but no later than within three trading days after receiving them, via media outlets or outlets where it can be assumed that the notice will be disseminated in the EU and the non-European Union parties to the agreement on the EEA (so-called *Medienbündel*). The Company must also transmit the notice to the BaFin and to the German Company Register (*Unternehmensregister*) for storage.

For purposes of the notification requirements, the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules that require the attribution (*Zurechnung*) of voting rights of certain persons associated with the shareholder or acting together with the shareholder. For example, shares held by a subsidiary (as defined in the German Securities Acquisition and Takeover Act) are generally attributed to the parent company; similarly, shares held by a third company for the account of another company are attributed to the latter. Shares or financial instruments held for trading by a securities services company are not taken into account for determining the notification obligation if it is ensured that the voting rights held by them are not exercised, and that they amount to no more than 5% of the voting shares, or do not grant the right to purchase more than 5% of the voting shares.

Furthermore, any kind of co-operation among shareholders that is intended to effect a permanent and material change in the business strategy of the Company can result in an attribution of voting rights. This means that the co-operation does not necessarily have to concern the exercise of voting rights specifically; coordination in individual cases, however, will not trigger the attribution of voting rights.

Pursuant to Section 25 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), similar obligations to notify the Company and the BaFin for reaching, exceeding or falling below the abovementioned thresholds (other than the 3% threshold) apply to direct and indirect holders of certain instruments other than shares. This applies to instruments which grant upon maturity an unconditional right to acquire already issued voting shares of the Company, a discretionary right to acquire such shares, or instruments that refer to such shares and have a comparable economic effect than the aforementioned instruments. These include, *inter alia*, transferable securities, options, futures contracts, swaps, forward rate agreements and contracts for difference. The number of voting rights relevant for the notification requirement will generally be calculated by reference to the full nominal amount of shares

underlying the instrument except where the instrument provides exclusively for a cash settlement. Details for such calculations are laid down in regulatory technical standards drafted by the European Securities and Markets Authority (ESMA).

Furthermore, a person obliged to notify (*Meldepflichtiger*) who reaches or exceeds the threshold of 10% of the voting rights, or a higher threshold, is obligated to notify the issuer within 20 trading days regarding the objective being pursued through the acquisition of voting rights, as well as regarding the source of the funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. An issuer may stipulate in its Articles of Association that the aforementioned disclosure requirement does not apply. However, the Company has not made use of this option.

In case that the disclosure requirements are not met, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are – subject to certain exceptions – suspended for the duration of non-compliance. If the failure to comply with the disclosure requirements specifically relates to the share of voting rights and is the result of a willful or grossly negligent conduct, the suspension period is extended by six months after the person obliged to notify (*Meldepflichtiger*) files the required notification. In addition, a fine may be imposed if a required notification is not at all, incorrectly or incompletely made, or not made in the appropriate manner or a timely fashion.

14.14. Disclosure of Managers' Transactions

Pursuant to Section 19 of the EU Market Abuse Regulation ((EU) No. 596/2014 of April 16, 2014) (the "**Market Abuse Regulation**") persons discharging managerial responsibilities ("**Managers**") shall notify the Company and the BaFin of every transaction conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto (so-called managers' transactions). The same applies to persons closely associated with Managers who must notify the Company and the BaFin if they enter into such transactions. Transactions that must be notified shall also include, among others, pledging or lending of financial instruments, transactions undertaken by any person professionally arranging or executing transactions on behalf of a Manager or a closely associated person, including where discretion is exercised, as well as transactions made under a life insurance policy. The notification requirement shall apply to any subsequent transaction once a total amount of EUR 5,000 has been reached within a calendar year. The BaFin may decide to increase the threshold to EUR 20,000. Notification shall be made promptly and no later than three business days after the date of the transaction.

For the purposes of the Market Abuse Regulation, Executive means a person within the Company who is a member of the administrative, management or supervisory body of the Company or a senior executive who is not such member but who has regular access to inside information relating directly or indirectly to the Company and who has power to take managerial decisions affecting the future developments and business prospects of the Company. A person closely associated with an Manager means a spouse, a registered civil partner (*eingetragener Lebenspartner*), a dependent child as well as a relative who has shared the same household for at least one year on the date of the transaction concerned. A person closely associated also includes a legal person, trust or partnership, the managerial responsibilities of which are discharged by a Manager of the Company or by another person closely associated with him. Finally, the term includes a legal person, trust or partnership, which is directly or indirectly controlled by a Manager of the Company or by another person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

The Company shall ensure that the information of which it is notified is promptly made public. In any case, it shall be made public no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis in accordance with ESMA's implementing technical standards. Furthermore, according to the German Securities Trading Act (*Wertpapierhandelsgesetz*), the Company shall without undue delay transmit the information to the German Company Register (*Unternehmensregister*) and notify BaFin. Non-compliance with the notification requirements may result in a fine.

Subject to certain specified circumstances, a person discharging managerial responsibilities within the Company is prohibited from conducting any transactions relating to the Company's

shares, debt, instruments, derivatives or other financial instruments linked to the Company during a period of 30 calendar days (so-called blackout period) before the publication of an interim financial statement or a year-end financial statement. The blackout period may be shortened, for example, due to the early release of preliminary results.

14.15. Post-Admission Disclosure Requirements

After the Listing of its Shares, the Company will for the first time be subject to the legal disclosure requirements for German stock corporations with shares listed on a public exchange. These disclosure requirements include, among others, periodic financial reporting (disclosure of annual and half-year financial reports), regular calls with securities and industry analysts, and other required disclosures according to the Market Abuse Regulation and to the German Securities Trading Act (*Wertpapierhandelsgesetz*). The Company will also be obliged under the Listing Rules of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*) as amended from time to time to publish quarterly statements (unless the Company prepares quarterly financial reports), as the Company's shares are to be listed on the Prime Standard sub-segment of the regulated market of the Frankfurt Stock Exchange.

Pursuant to Section 17 of the Market Abuse Regulation the Company shall inform the public as soon as possible of inside information (as defined below) which directly concerns the Company. In such case the Company shall also, prior to informing the public, inform the BaFin and the management of the trading venues and facilities (*Geschäftsführungen der Handelsplätze*) where financial instruments of the Company have been admitted to trading or have been included in such trading, and, after publication, without undue delay transmit the information to the German Company Register (*Unternehmensregister*).

Inside information comprises, among others, any information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the prices of related derivative financial instruments.

The Company may, on its own responsibility, delay disclosure if (i) immediate disclosure is likely to prejudice the legitimate interests of the Company, (ii) delay of disclosure is not likely to mislead the public and (iii) the Company is able to ensure that the inside information will remain confidential. In such case, the Company shall also inform the BaFin that disclosure of the information was delayed and shall provide a written explanation of how the conditions set out in the preceding sentence were met, immediately after the information is disclosed to the public. Where disclosure of inside information has been delayed and the confidentiality of that inside information is no longer ensured, the Company shall disclose such inside information to the public as soon as possible.

15. GOVERNING BODIES

15.1. Overview

The governing bodies of the Company are the Management Board, the Supervisory Board and the general shareholders' meeting. The responsibilities and powers of these corporate bodies are regulated by the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association and the rules of procedure for the Management Board and the Supervisory Board.

The Management Board conducts the business of the Company in accordance with the relevant laws, the Articles of Association and its rules of procedure. The Management Board represents the Company when dealing with third parties. The members of the Management Board are appointed and removed by the Supervisory Board. German law generally prohibits concurrent memberships of the management board and the supervisory board in a stock corporation.

The Management Board must ensure that appropriate risk management and risk controlling mechanisms are established and maintained within the Company, its subsidiaries and affiliates. This is to ensure that developments endangering the existence of the Company can be identified at an early stage. The Management Board is also required to report any material issues in relation to business transactions and any material developments regarding the business to the Supervisory Board. It has to make such reports at least quarterly and must include issues pertaining to the turnover and developments within the Company, its subsidiaries and joint ventures. The Management Board is further required to report any planned business policies and other fundamental issues concerning corporate planning (including financial, investment and personnel planning) to the Supervisory Board once a year; differences between the actual developments and previously reported goals, including the reasons for any deviations, must also be addressed. In the meeting of the Supervisory Board in which the annual financial statements are discussed, the Management Board also has to report on the profitability of the Company, especially in relation to the return on equity. As a general rule, the Management Board is required to report events which could have a material effect on the Company, and transactions which could be of material importance, especially in relation to the Company's profitability or liquidity, and to do so in a timely manner. This is to ensure that the Supervisory Board is able to assess such transactions prior to any action being taken. The Management Board is required to report any other important events to the chairperson of the Supervisory Board without undue delay; this includes events at an affiliated company of which the Management Board has become aware and which could potentially have a material impact on the Company. Moreover, any member of the Supervisory Board may at any time demand a report about the affairs of the Company. In addition, the Management Board and the Supervisory Board report annually in the annual report about the corporate governance of the Company and explain any deviations from the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) (the "**Code**"), which was adopted by a governmental commission on the German Corporate Governance Code on February 26, 2002 and currently applies in the version dated February 7, 2017.

The Supervisory Board must monitor the Management Board's management of the Company. The Supervisory Board is not entitled to manage the Company. However, if a position is vacant on the Management Board, the Supervisory Board may delegate the responsibilities attaching to this position to one of its own members for a limited period of time. Such appointment shall not exceed a period of one year and the designated person's membership of the Supervisory Board is suspended while serving on the Management Board.

According to the Management Board's rules of procedure, which are issued by the Management Board with approval of the Supervisory Board of the Company, the Management Board must obtain the approval of the Supervisory Board prior to entering into certain transactions or taking certain measures. Such transactions or measures include, *inter alia*, (i) the adoption of the medium-term business plan (sales, capital expenditure, financial and profit plan) as well as of the annual budget (capital expenditures and financial plan); (ii) the acquisition or sale of assets (including, among other things, real estate and participations in companies), provided that the balance sheet value of the object to be acquired or sold exceeds a certain threshold; (iii) borrowings that are not included in the annual budget and which are taken for a certain period and which exceed a certain threshold; (iv) material

transactions between a company of the Group, on the one side, and a member of the Management Board or a person or entity related to such member, on the other side; (v) repeal of, revision of or amendments to the Management Board's rules of procedure; and (vi) transactions or measures which have been declared to require the consent of the Supervisory Board by a specific resolution of the Supervisory Board. The prior approval of the Supervisory Board is not required for the aforementioned measures (ii) and (iii) in case they are conducted with companies of the Group. Furthermore, the Management Board requires the prior approval by the Supervisory Board if the Management Board becomes involved in transactions of companies of the Group regarding the aforementioned measures (ii) and (iii) (except for the aforementioned measures (ii) and (iii) when conducted with companies of the Group), or in transactions relating to the share capital (capital increases and decreases as well as equity-replacing loans) to the extent such capital-related measures exceed a certain threshold and third-parties outside the Group hold a participation in the Group entity, in each case through instructions, approvals, votes or in any other manner. The consent of the Supervisory Board shall be deemed granted if the individual measure is part of a general plan approved by the Supervisory Board in which the type and scope of such measure is specified.

The members of the Management Board and the Supervisory Board owe fiduciary duties to the Company. The members of these corporate bodies must perform their duties taking into account a broad range of interests, especially those pertaining to the Company, its shareholders, employees and creditors. The shareholders' right to equal treatment and equal access to information must also be taken into account. The members of the Management Board or the Supervisory Board are jointly and severally liable to the Company for damages for any breaches of their duties.

Pursuant to German law, a shareholder generally cannot take direct action against a member of the management board or the supervisory board of a German stock corporation if the shareholder suspects that such member or members have violated their duties towards the company. Thus, pursuant to German law, generally only the Company has the right to pursue claims for damages against a member of the Management Board or the Supervisory Board. The Management Board represents the Company in relation to claims brought against members of the Supervisory Board and, in turn, the Supervisory Board represents the Company in relation to claims brought against members of the Management Board. Pursuant to a decision by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is required to pursue damages claims that are likely to be successful against members of the Management Board, unless significant interests of the Company either take precedent over or are equally important as any such claim.

If the governing body authorized to represent the Company decides against pursuing a claim, claims for damages can be pursued by the shareholders following a resolution (by way of simple majority) by the general shareholders' meeting. The general shareholders' meeting can also appoint a special representative to pursue such claims. Shareholders with a combined shareholding of 10% of the entire share capital or holders of shares with an aggregate value of EUR 1 million may also request the courts to appoint a special representative.

Furthermore, the general shareholders' meeting can, by resolution with simple majority, appoint a special auditor (*Sonderprüfer*) to review any measures, in particular, in relation to management. If the general shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor at the request of shareholders who hold shares representing at least 1% of the share capital or shares with an aggregate nominal value of at least EUR 100,000 where the facts justify the suspicion that irregularities, gross violations of the law or of the Articles of Association have been committed. If the general shareholders' meeting appoints a special auditor, the court must appoint a different special auditor at the request of shareholders, who hold shares representing at least 1% of the share capital or shares with an aggregate nominal value of at least EUR 100,000 if this deems to be necessary with respect to the person who has been appointed as special auditor. Shareholders and shareholder associations can use the shareholder forum of the German Federal Gazette (*Bundesanzeiger*), which is available through the Company Register's (*Unternehmensregister*) website, to call upon other shareholders to jointly, or through third-party representation, request a special audit, appoint a special auditor, demand that a general shareholders' meeting be convened or exercise their voting rights in a general shareholders' meeting. If there are facts leading to the strong suspicion that the Company has incurred damages through irregularities

or gross violations of the law or the Articles of Association, shareholders whose shareholding constitutes at least 1% of the share capital or who hold shares with an aggregate nominal value of at least EUR 100,000 may in court bring a claim for damages of the Company in their own name but on behalf of the Company against members of governing bodies, subject to certain procedural requirements. Such a claim is prohibited if the Company itself files a complaint for damages.

The Company may waive claims for damages against members of the Management Board and the Supervisory Board, or settle such claims, three years after such claim has arisen, but only (a) if the shareholders resolve to do so in a general shareholders' meeting by resolution with simple majority and (b) where a minority of the shareholders, together holding shares which represent at least 10% of the share capital, do not object to this in the minutes of the meeting.

Pursuant to German law, individual shareholders and any other persons are prohibited from intentionally using their influence within the Company to cause a member of the Management Board or the Supervisory Board to engage in conduct that could be damaging to the Company. A shareholder controlling the Company may not use its influence to persuade the Company to act against its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between such shareholder and the Company and the influence exerted is within the limits of certain statutory mandatory provisions or any damages are compensated. Anyone intentionally exercising influence to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokurist*) or a general representative to act to the detriment of the Company or its shareholders is required to compensate the Company and its shareholders for any damages resulting from such behavior. In addition, the members of the Management Board and the Supervisory Board are jointly and severally liable if they have acted in violation of their obligations.

15.2. Management Board

15.2.1. General

The Articles of Association specify that the Management Board shall consist of at least two members. The actual number of members of the Management Board is determined by the Supervisory Board. The Supervisory Board appoints the members of the Management Board for a maximum period of five years and may reappoint members. The Supervisory Board may revoke such appointment prior to the expiration of the term of office if there is just cause (*wichtiger Grund*), for example, a gross breach of duties or if the general shareholders' meeting expresses a lack of confidence in the member of the Management Board. The Supervisory Board appoints a member of the Management Board as the chairperson of the Management Board and can appoint another member as the vice-chairperson of the Management Board. Pursuant to the rules of procedure of the Management Board resolved by the Management Board on February 21, 2017 and approved by the Supervisory Board on March 2, 2017, the Management Board is quorate if all members of the Management Board have been invited and more than half of its members participate in the vote. Members participating by telephone- or video-call are considered present. Absent members may participate in adopting a resolution by submitting votes in writing, by telephone, by fax, electronically or in a comparable form. If ordered by the chairperson of the Management Board, resolutions may also be passed outside of meetings by submitting votes in writing, by telephone, by fax, electronically or in an equivalent form. The Management Board passes resolutions in meetings by simple majority of the votes cast, and outside of meetings, by simple majority of all members of the Management Board, unless otherwise provided for by law or by the Articles of Association or by the rules of procedure. In case of a tie, the chairperson shall have a casting vote. The rules of procedure for the Management Board also contain rules about composition, duties, overall responsibilities and responsibility for the departments as well as the internal arrangements of the Management Board. The rules of procedure of the Management Board provide for areas of responsibility of each member of the Management Board upon completion of the Demerger. Upon completion of the Demerger, topics relating to the area of an absent member shall only be discussed and resolved upon with such member's consent, except in urgent cases.

Pursuant to the Articles of Association, the Company is represented by either two members of the Management Board or by one member of the Management Board acting jointly with an authorized signatory (*Prokurist*). Each member of the Management Board may be released

from the restrictions of entering into a legal transaction in the name of the principal with himself as an agent of a third party according to Section 181 (2nd alternative) of the German Civil Code (*Bürgerliches Gesetzbuch*) by the Supervisory Board unless the law mandates otherwise.

15.2.2. Current Members of the Management Board

The Management Board of the Company currently consists of four members. The names and main responsibilities of the current members of the Management Board of the Company are:

Name	Age	Member since	Appointed until	Responsibilities
Olaf Koch	47	March, 2017	March, 2022	Chairman of the Management Board of the Company and Chief Executive Officer (CEO)
Christian Baier	40	November, 2016	September, 2020	Chief Financial Officer (CFO)
Pieter C. Boone	50	March, 2017	September, 2020	Chief Operating Officer (COO)
Heiko Hutmacher	59	March, 2017	September, 2020	Chief Human Resources Officer (CHRO)

The expiration dates of the service agreements for each individual member of the Management Board correspond with their respective terms in office.

The members of the Management Board can be contacted under the Company's address.

15.2.2.1. Olaf Koch — brief biography

Born in 1970, Mr. Koch obtained a degree in business management from the University of Cooperative Education in Stuttgart. Mr. Koch started his professional career in 1994 at Daimler Benz AG, where he was a manager in the area of finance process and systems. From 1996 to 1998, Mr. Koch was CEO at IT-Networks GmbH, a company he also founded. In 1998, Mr. Koch returned to DaimlerChrysler AG as senior manager in the so-called corporate "war room" and subsequently held several positions within that company: director for corporate e-business strategy and corporate "war room" (1999-2000), vice-president for corporate e-business (2000-2002) and member of the management board of the Mercedes Car Group, being responsible for finance, controlling and strategy (2002-2007). In 2007, Mr. Koch transferred to Permira Beteiligungsberatung GmbH where he was managing director for the area of operations. Mr. Koch joined METRO AG in 2009 as a member of the management board. Until end of 2011, Mr. Koch was CFO. Since 2012, Mr. Koch has been chairman of the management board of METRO AG and CEO. In this position Mr. Koch has been responsible, among other areas, for legal & compliance, corporate office, communications, group strategy, mergers & acquisitions, HoReCa digital, business innovations and the Real segment. In March 2017, Mr. Koch was appointed as the chairman of the Management Board of the Company and CEO. With approval of the Supervisory Board, Mr. Koch has resigned from his position on the management board of METRO AG as of the Spin-Off taking effect.

The following table shows the positions that Mr. Koch has held as a member of a management, administrative or supervisory body in companies or as a partner in partnerships outside the MWFS Group in the last five years, as well as select positions he currently holds in companies within the MWFS Group:

Positions held in companies and partnerships outside the MWFS Group in the last five years	Select positions held in companies within the MWFS Group in the last five years
• Member of the management board of METRO AG (since 2009) and chairman and CEO (since 2012) (will be terminated with effectiveness of the Spin-Off envisaged for July, 2017)*	• Member of the management board of METRO Cash & Carry International GmbH*
• Member of the management board of METRO Kaufhaus und Fachmarkt Holding GmbH (until 2016)	• Member of the management board of METRO Groß- und Lebensmitteleinzelhandel Holding GmbH*
• Member of the advisory board of Media-Saturn-Holding GmbH and chairman (until 2016)	• Member of the supervisory board of real,- SB-Warenhaus GmbH and chairman*
• Member of the board of directors of Metro International Retail Holding Limited (until 2013)	• Member of the advisory board of HoReCa Digital GmbH and chairman*
• Member of the supervisory board of GALERIA Kaufhof GmbH and chairman (until 2013)	• Member of the supervisory board of METRO Großhandelsgesellschaft mbH and chairman (until 2015)
• Member of the board of directors of MediaMarkt (China) International Retail Holding Limited and chairman (until 2013)	

* Position is currently held.

15.2.2.2. Christian Baier – brief biography

Born in 1976, Mr. Baier holds a Master of Business Administration from New York University – Leonard N. Stern School of Business. Mr. Baier started his professional career in 1997 at BWK-Bank AG, where he was a management trainee. He then moved to BWK Unternehmensbeteiligung GmbH as an investment manager from 2001 until 2002. From 2004 until 2005, Mr. Baier was an associate at Lehman Brothers Europe Ltd. in London and then transferred to Lehman Brothers Bankhaus AG in Frankfurt until 2006. Mr. Baier then joined Permira Beteiligungsberatung GmbH, where he acted as an investment executive from 2006 until 2011. In 2011, Mr. Baier joined METRO Cash & Carry Deutschland GmbH. Mr. Baier became group director M&A at METRO AG in 2012 and additionally took over responsibility for the areas of strategy and business innovation in 2013 and 2015, respectively. Since 2015, Mr. Baier has been CFO of METRO Cash & Carry. In November 2016, Mr. Baier was appointed a member of the Management Board of the Company where he acts as CFO.

The following table shows the positions that Mr. Baier has held as a member of a management, administrative or supervisory body in companies or as a partner in partnerships outside the MWFS Group in the last five years, as well as select positions he currently holds in companies within the MWFS Group:

Positions held in companies and partnerships outside the MWFS Group in the last five years	Select positions held in companies within the MWFS Group in the last five years
• Member of the supervisory board of GALERIA Kaufhof GmbH (until 2015)	• Member of the supervisory board of METRO Cash & Carry International Holding GmbH, Austria*
• Member of the management board of METRO Kaufhaus und Fachmarkt Holding GmbH (until 2015)	• Member of the management board of METRO Cash & Carry International GmbH*
	• Member of the supervisory board of METRO Großhandelsgesellschaft mbH*
	• Member of the advisory board of HoReCa Digital GmbH*
	• Member of the supervisory board of METRO Re AG and chairman*

* Position is currently held.

15.2.2.3. Pieter C. Boone – brief biography

Born in 1967, Mr. Boone graduated in business economics and administration at the European University of Antwerp. Mr. Boone began his professional career at makro Nederland in 1992,

where he was management trainee until 1995 and later project manager in 1996. In June 1996, Mr. Boone became assistant operations specialist at makro Cash & Carry Distribution Sdn. Bhd. in Kuala Lumpur, and a year later store general manager at the same entity. From May 1998 to April 2004, Mr. Boone acted as operations director and member of the management team in different makro entities in Asia, first at Pilipinas Makro Inc. from 1998 until 2001, then at Pt. Makro Indonesia from 2001 until 2003 and later at Siam Makro PCL from 2003 until April 2004. From 2004 until 2010, Mr. Boone acted as managing director in several makro entities that means, at Makro Cash & Distributions Sdn. Bhd. in Malaysia from 2004 until 2007, Pilipinas Makro Inc. in the Philippines from 2007 until 2008 and Makro Supermayorista S.A. in Peru from 2008 until 2010. In January 2011, Mr. Boone transferred to METRO Cash & Carry OOO (Russia) where he was first operations director and later managing director and CEO from 2012 to 2015. In addition, he was CEO at METRO Cash & Carry Russia N.V. from 2014 to 2015. Since July 2015, Mr. Boone has been a member of the management board of METRO AG, responsible for METRO Cash & Carry. In March 2017, Mr. Boone was appointed as a member of the Management Board of the Company where he acts as COO. With approval of the Supervisory Board, Mr. Boone has resigned from his position on the management board of METRO AG as of the Spin-Off taking effect.

The following table shows the positions that Mr. Boone has held as a member of a management, administrative or supervisory body in companies or as a partner in partnerships outside the MWFS Group in the last five years, as well as select positions he currently holds in companies within the MWFS Group:

Positions held in companies and partnerships outside the MWFS Group in the last five years	**Select positions held in companies within the MWFS Group in the last five years**
• Member of the management board of METRO AG and COO (since 2015 and will be terminated with effectiveness of the Spin-Off envisaged for July 2017)*	• Member of the management board of METRO Cash & Carry International GmbH* • Member of the supervisory board of METRO Großhandelsgesellschaft mbH and chairman (until 2016) • Member of the management board of METRO Cash & Carry OOO, Russia (until 2015)

* Position is currently held.

15.2.2.4. Heiko Hutmacher – brief biography

Born in 1957, Mr. Hutmacher holds a degree in business administration from the University of Cologne. Mr. Hutmacher began his professional career in 1984 at the IBM group, where he spent twenty years in different positions: From 1984 to 1988, Mr. Hutmacher was advisor for human resources programs at IBM in Stuttgart and, from 1988 to 1992, human resources partner for the IBM sales region North, based in Hamburg. In 1992, Mr. Hutmacher became manager for pensions and a restructuring program for IBM in Stuttgart and in 1995 he acted as executive assistant to the chairman of the management board of the same entity. In 1996, Mr. Hutmacher was human resources partner for industry sales in Europe, the Middle East and Africa for IBM, based in Paris. From 1997 to 1998, Mr. Hutmacher was human resources director for IBM in South Africa, based in Johannesburg, and thereafter regional HR director for the ASEAN countries, based in Singapore (until 2000). In 2001, Mr. Hutmacher was director for human resources strategy for IBM Global Services at IBM's headquarters in Somers/New York, USA, before becoming vice-president for human resources for IBM Global Services in Europe, the Middle East and Africa, based in Paris (2001-2004). In 2004, Mr. Hutmacher changed to Akzo Nobel, where he was senior vice-president for human resources in Arnheim and Amsterdam until 2011. Since October 2011, Mr. Hutmacher has been a member of the management board of METRO AG with responsibility for human resources, IT management, internal audit, sustainability and global business services. In March 2017, Mr. Hutmacher was appointed as member of the Management Board of the Company where he acts as CHRO. With approval of the Supervisory Board, Mr. Hutmacher has resigned from his position on the management board of METRO AG as of the Spin-Off taking effect.

The following table shows the positions that Mr. Hutmacher has held as a member of a management, administrative or supervisory body in companies or as a partner in partnerships outside the MWFS Group in the last five years, as well as select positions he currently holds in companies within the MWFS Group:

Positions held in companies and partnerships outside the MWFS Group in the last five years	Select positions currently held in companies within the MWFS Group
• Member of the management board of METRO AG and CHRO (since 2011, will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)* • Member of the management board of METRO Kaufhaus und Fachmarkt Holding GmbH (until 2016)	• Member of the management board of METRO Cash & Carry International GmbH* • Member of the management board of METRO Groß- und Lebensmitteleinzelhandel Holding GmbH* • Member of the supervisory board of METRO Systems GmbH and chairman* • Member of the supervisory board of real,-SB-Warenhaus GmbH* • Member of the supervisory board of METRO Großhandelsgesellschaft mbH*

* Position is currently held.

15.2.3. Compensation and Other Benefits; Share Ownership

The Company has adopted a compensation scheme for the Management Board which comes into effect upon completion of the Demerger. From the transformation of the Company into a stock corporation until March 2, 2017, three executives of the Existing Shareholder, METRO AG, including Christian Baier served as members of the Management Board of the Company and did not receive any compensation for these duties from the Company. On March 2, 2017, the current members of the Management Board were appointed by the Supervisory Board. Until the completion of the Demerger, members of the Company's Management Board Olaf Koch, Pieter C. Boone and Heiko Hutmacher will not receive any compensation for these duties from the Company but will receive compensation under their existing service agreements with the Existing Shareholder, METRO AG. In contrast, the service agreement between the Company and Christian Baier became already effective on March 2, 2017.

15.2.3.1. Existing service agreements

The compensation paid to the Company's members of the Management Board Olaf Koch, Pieter C. Boone and Heiko Hutmacher under the existing service agreements with METRO AG comprises, in each case, a fixed base salary and two variable performance-based components (the short-term incentive and the long-term incentive) as well as post-employment benefit plans and other supplemental benefits. The variable performance-based components for Olaf Koch, Pieter C. Boone and Heiko Hutmacher, as members of the METRO AG management board, relate to the performance of METRO AG. The service agreement of Christian Baier with METRO AG as executive, which was terminated with effect as of March 1, 2017, also comprised a fixed base salary and two variable performance-based components (a short-term incentive and a long-term incentive). For Christian Baier, the short-term incentive related to the performance of METRO Cash & Carry whereas the long-term incentive related to the performance of METRO AG. The total compensation paid to Olaf Koch, Christian Baier, Pieter C. Boone and Heiko Hutmacher for the financial year 2015/2016 amounted to approximately EUR 7.2 million of which approximately EUR 3.2 million related to fixed base salaries and approximately EUR 4.0 million to variable compensation and supplemental benefits.

15.2.3.2. New service agreements

New service agreements between members of the Management Board Olaf Koch, Pieter C. Boone and Heiko Hutmacher and the Company will come into effect upon completion of the Demerger. In contrast, the service agreement between the Company and Christian Baier became already effective on March 2, 2017. The compensation under the new service agreements takes into account general market practice, legal requirements in accordance with Section 87 of the German Stock Corporation Act (*Aktiengesetz*) and additional recommendations of the Code.

In the event of a change of control, the members of the Management Board have the right to retire from the Management Board and to terminate their employment contract with due cause. A change of control occurs when a shareholder, or shareholders acting in concert, gains control by acquiring at least 30% of the voting rights in the Company resulting in substantial disadvantages for the Management Board member. If a Management Board member's service agreement is terminated early either (i) in accordance with the aforementioned or (ii) due to an amicable termination within six month after the change of control occurring, a severance payment of no more than the remuneration due until the end of the employment contract and, in any case, no more than three total annual compensations is to be paid.

If a Management Board member's service contract is otherwise terminated early without due cause a severance payment amounting to the remuneration due until the end of the employment contract but no more than two total annual compensations is to be paid.

The service agreements also contain a customary non-compete clause including, in particular, a post-contractual non-compete agreement of up to twelve months.

15.2.3.3. Fixed and variable compensation

Under the new service agreements, members of our Management Board will be / are entitled to fixed base salary and variable compensation. The variable compensation consists of variable short-term incentive compensation (the "**STI**") and variable long-term incentive compensation (the "**LTI**"). Under the new service agreements, the following compensation and benefit components have been agreed (all figures are gross amounts):

(in EUR, p.a.)	Fixed base salary[1]	STI[2]	LTI[2]	Pension Contribution[3]	Other benefits	Total[4]
Olaf Koch	1,200,000	1,120,000	1,680,000	324,800	max. 70,000	4,394,800
Christian Baier	700,000	540,000	810,000	173,600	max. 70,000	2,293,600
Pieter C. Boone	900,000	840,000	1,260,000	243,600	max. 70,000	3,313,600
Heiko Hutmacher	900,000	840,000	1,260,000	243,600	max. 150,000	3,393,600

[1] Fixed compensation does not include non-cash benefits such as company car entitlement and insurance for accidents. Also not included are contributions to pension plans.
[2] For the STI and the LTI the relevant target amounts are mentioned.
[3] The above mentioned amount of the pension contribution reflects the contribution-based component paid by the Company.
[4] Including the maximum amount of other benefits.

Under the STI, the members of our Management Board are entitled from the financial year 2017/2018 onwards to receive an annual bonus based on the three financial parameters EBIT (earnings before interest and taxes), Like-for-like Sales Growth and RoCE (return on capital employed) which are each weighted one-third in the STI target amount. For the period from the Spin-Off taking effect until the end of the financial year 2016/2017, the STI for all four members of the Management Board will be granted *pro rata temporis* and based on the two financial parameters EBIT (earnings before interest and taxes) before special items and Like-for-like Sales Growth. With regard to Christian Baier, the STI has been granted *pro rata temporis* for the period from March 2, 2017 until the effectiveness of the Spin-Off based on the METRO Cash & Carry related parameters EBIT (30%), Like-for-like Sales Growth (30%), Cash Flow (30%) and Customer Satisfaction Pulse (10%). The STI amount paid to each member of the Management Board depends on the factor of the target achievement and the right of the Supervisory Board to reduce/increase the STI by 30% considering the individual performance according to a criteria-based discretionary decision. The annual pay-out is capped at 200% of the target amount.

The LTI incentivizes the members of our Management Board for a sustainable and long-term Company development, considering the interests of the shareholders and other stakeholders. Therefore, a multi-year assessment basis applies – by annually granting tranches of a cash-based performance share plan combined with share ownership guidelines. Therefore, each member of the Management Board is granted contingent performance shares depending on the individual LTI target amount and the average of the share price of the Ordinary Share over a defined time period before the time of granting. At the end of a three-year performance period, the final number of performance shares is calculated on the basis of the achievement of two performance targets, namely reported earnings per share and relative total shareholder return. The pay-out per performance share is finally calculated on the average of the share price of the Ordinary Share over a defined time period at the end of the performance period

plus all dividends paid per Ordinary Share during the performance period. The pay-out is capped at 250% of the target amount. As a condition, the members of the Management Board are obliged to build up a self-financed investment in Ordinary Shares, which shall ensure that at the latest after five years of service the chairperson of the Management Board has invested 200% and an ordinary member of the Management Board has invested 150% of his gross yearly fixed base salary in Ordinary Shares. The LTI tranche 2016/2017, which would generally have been granted 40 trading days after the general shareholders' meeting, will be granted 40 trading days after the completion of the Demerger.

The post-employment benefits plans for members of the Management Board consist of a defined contribution component. Financing is effected jointly by the members of the Management Board and a contribution by the Company with an apportionment of "7 plus 14", meaning that, when a member of the Management Board makes a contribution of 7% of his or her defined basis for assessment (fixed base salary plus STI target amount), the Company will contribute the double amount. Furthermore, members of the Management Board have been offered the option of converting future compensation components from the fixed base salary component as well as the variable compensation in the framework of a tax-privileged deferred-compensation into entitlements to a post-employment benefit plan.

15.2.3.4. Other supplemental benefits

In addition to their compensation, under the new service agreements, the members of our Management Board are also entitled to a company car for business and private use with driver service, as well as health prevention, limited continuation of fixed compensation payment as survivor benefit, accident insurance and D&O insurance for financial damages. One member of the Management Board is entitled for the reimbursement of school fees, another member of the Management Board is entitled to security equipment.

15.2.3.5. Payments related to the Demerger

In connection with their past and existing service agreements with METRO AG, all four members of our Management Board currently hold entitlements under short-term incentive programs ("**STI Programs**"). These STI Programs will be settled on a *pro rata temporis*-basis for Christian Baier from October 1, 2016 until March 1, 2017 and for Olaf Koch, Pieter C. Boone and Heiko Hutmacher from October 1, 2016 until the Spin-Off taking effect. Based on the latest valuation report and subject to the evaluation of our business performance, we expect that the *pro rata* cash settlement of the STI Programs results in cash payments in the low to mid single-digit EUR million range for all members of the Management Board on aggregate. The major part of these payments due shall be directly or indirectly borne by the Company. Provisions for these payments have been made by the Company, based on the latest valuation report. Depending on both the date of the completion of the Demerger and the degree of fulfilment of the payment conditions for the STI Programs, the final aggregate payout amount may deviate from the estimation stated above.

In connection with their past and existing service agreements with METRO AG, all four members of our Management Board currently hold rights under long-term incentive programs, which include share-based components ("**LTI Programs**"). If these LTI Programs will not terminate according to the terms of the respective program until the time of the completion of the Demerger, the LTI Programs will be settled early – either fully or partially – following the Demerger. To the extent such LTI Programs will not be settled early, the respective program will be rolled over to the Company. Based on the latest valuation report, we expect that the early cash settlement of these LTI Programs results in cash payments in the high single-digit EUR million range for all members of the Management Board on aggregate (not including those parts of the LTI Programs which will be rolled over to the Company). The major part of these payments due shall be directly or indirectly borne by the Company. Provisions for these payments have been made by the Company, based on the latest valuation report. Depending on both the date of the completion of the Demerger and the degree of fulfilment of the payment conditions for the LTI Programs, the final aggregate payout amount may deviate from the estimation stated above.

15.2.3.6. Direct and/or indirect Shareholdings

The past and current members of the Management Board, respectively, do not hold any Shares or options on Shares of the Company as of the date of the Prospectus. However, the members of the Management Board hold on aggregate 126,853 shares of METRO AG in total, for which 126,853 Shares of the Company will be issued upon the effectiveness of the Spin-Off, if the respective METRO AG shares are still held on such date.

15.3. Supervisory Board

15.3.1. General

Members of the Supervisory Board representing the shareholders are appointed at the general shareholders' meeting as set out by the Articles of Association and in conjunction with Section 101 of the German Stock Corporation Act (*Aktiengesetz*). Unless the general shareholders' meeting has set a shorter term of office, the term of office of each Supervisory Board member of the shareholders, as well as the term of each substitute member, expires at the end of the annual general shareholders' meeting ratifying the activities of the Supervisory Board for the fourth financial year following the commencement of the member's term of office, not including the financial year in which the term commences. Upon completion of the Demerger and upon conclusion of the status proceedings the Supervisory Board's rule of procedure provide, that the term of office shall generally be limited to three years. Members of the Supervisory Board may be re-elected.

A successor is appointed when a member of the Supervisory Board representing the shareholders resigns prior to the expiration of such member's term of office. A substitute member can be elected simultaneously with the appointment of a member of the Supervisory Board of the shareholders; the substitute member will automatically replace this new member if he or she resigns prior to the expiration of their term of office and no successor has been appointed. The appointment of such a member expires at the earlier of the appointment of a successor or the expiration of the term of office for which the member was elected. As of the date of the Prospectus no substitute members have been elected.

As of the date of the Prospectus, the Supervisory Board of the Company consists of 20 members in accordance with Section 7 of the Articles of Association. The 20 members of the Supervisory Board were elected at the general shareholders' meeting on February 10, 2017. Of these, ten members were elected upon proposal of the employee representatives of our Group.

Upon the Spin-Off taking effect, the Supervisory Board of the Company as parent company of our Group will be subject to parity co-determination pursuant to the provisions of the German Co-Determination Act (*Gesetz über die Mitbestimmung der Arbeitnehmer*). Our Management Board will initiate so-called status proceedings (*Statusverfahren*) pursuant to Sections 97 et seq. of the German Stock Corporation Act (*Aktiengesetz*). Since our Group will generally have more than 20,000 employees as from the effectiveness of the Spin-off pursuant to Section 7 (1) sentence 1 no. 3 of the German Co-Determination Act (*Gesetz über die Mitbestimmung der Arbeitnehmer*) our Supervisory Board will – upon completion of the status proceedings – be composed of each ten supervisory board members of shareholder represenatives and employee representatives.

On April 11, 2017, the general meeting of the Company amended the Articles of Association for the formation of a supervisory board pursuant to the provisions of the German Co-Determination Act (*Gesetz über die Mitbestimmung der Arbeitnehmer*). This amendment of the Articles of Association shall only be registered for entry in the commercial register upon the conclusion of the status proceedings which is expected to be concluded in mid-2017. With entry of the amendment of the Articles of Association, the term of office of all 20 members of the Supervisory Board elected on February 10, 2017 will end automatically. To ensure a seamless occupancy of the supervisory board, already before the Spin-Off taking effect, the general shareholders' meeting of the Company re-elected the ten shareholder representatives of the co-determined Supervisory Board subject to the condition precedent of the registration of the amendment of the Articles of Association upon completion of the status proceedings. The ten members of the Supervisory Board representing our employees are expected to be initially appointed by the court, pursuant to Section 104 of the German Stock Corporation Act (*Aktiengesetz*).

Pursuant to the Articles of Association, the Supervisory Board elects a chairperson and a vice-chairperson from among its members. The election was carried out in the Supervisory Board's constitutive meeting on March 2, 2017. The election is expected to be carried out again following the appointment of the employee representatives in the Supervisory Board by court order upon conclusion of the status proceedings, as provided for by the German Co-determination Act. When the employee representatives in the Supervisory Board are elected by the employees, the election of a chairperson and a vice-chairperson of the Supervisory Board shall be carried out again after the general shareholders' meeting in 2018.

Should the chairperson or the vice-chairperson of the Supervisory Board leave office prior to the expiration of their term of office, the Supervisory Board shall promptly elect a new chairperson or vice-chairperson, as the case may be, prior to other resolutions.

The members and – as the case may be the substitute members – of the Supervisory Board can resign at any time upon giving one month's written prior notice to the chairperson of the Supervisory Board or to the Management Board of the Company without stating grounds or reasons. The chairperson of the Supervisory Board – or the vice-chairperson in the event of the chairperson of the Supervisory Board stepping down from office – may consent to a shortening of this period or a waiver of the observance of the period. This shall not affect the right to step down from office for good cause.

The terms of office of the chairperson and the vice-chairperson correspond to their appointments as members of the Supervisory Board unless a shorter term of office is set when they are elected. Following the general shareholders meeting, in the course of which these members of the Supervisory Board are elected by the general shareholders' meeting for a new term, the Supervisory Board will elect a chairperson and a vice-chairperson from among its members. Such Supervisory Board meeting does not have to be convened in any particular manner. If the chairperson or the vice-chairperson resign from their positions prior to the expiration of their term of office, the Supervisory Board must elect a replacement without undue delay.

Pursuant to Section 9 (1) of the Articles of Association, the chairperson of the Supervisory Board is responsible for convening the meetings of the Supervisory Board. Resolutions of the Supervisory Board are usually adopted in such meetings. If ordered by the chairperson of the Supervisory Board, resolutions may also be passed outside of meetings by submitting votes in writing, by telephone, by fax, electronically or in an equivalent form. The chairperson acts as chair of the meetings and determines the order in which the items on the agenda are discussed and the method and sequence of voting. In accordance with the Articles of Association, the Supervisory Board is quorate if all members have been invited to the meeting and at least half of the mandatory members of the entire Supervisory Board participate in the voting. A member is also deemed to participate in the adoption of a resolution if that member abstains from voting. In any case, not less than three members shall participate in a vote. According to the Articles of Association, the chairperson may accept the participation of members of the Supervisory Board and adoption of resolutions by way of a telephone conference call or video conference. Absent members may participate in adopting a resolution by submitting votes through other members, in writing, by fax, electronically or in a comparable form (voting messages). Unless otherwise required by law, resolutions are passed by simple majority of the votes cast. An abstention shall not be deemed a vote. In the event of a tie, if a re-vote on the same subject matter again results in a tie, the chairperson is granted a casting vote following the first composition of the Supervisory Board according to the German Co-Determination Act (*Gesetz über die Mitbestimmung der Arbeitnehmer*). Such voting powers are not granted to the vice-chairperson.

15.3.2. Committees

Pursuant to the Articles of Association, the Supervisory Board may establish one or more committees and may further delegate to such committees the authority to make decisions on behalf of the Supervisory Board to the extent legally permissible. The Supervisory Board has, in accordance with its rules of procedure, formed a Presidential Committee (*Aufsichtsratspräsidium*), an Audit Committee (*Prüfungsausschuss*) and a Nomination Committee. Other committees may be formed as and when required.

Pursuant to Section 27 (3) of the German Co-Determination Act (*Gesetz über die Mitbestimmung der Arbeitnehmer*), the Supervisory Board must and will, upon conclusion of the status proceedings, form a Mediation Committee (*Vermittlungsausschuss*). The Mediation Committee will consist of four members, including the chairperson, the vice-chairperson, one employee representative (to be elected by a majority vote of the employee representatives in the Supervisory Board) and one shareholder representative (to be elected by a majority vote of the shareholder representatives in the Supervisory Board).

The Presidential Committee shall consist of the chairperson of the Supervisory Board (who also chairs the Presidential Committee), the vice-chairperson of the Supervisory Board and two further members elected by the Supervisory Board from among its members. As of the date of the Prospectus, the Presidential Committee consists of Mr. Steinemann (chairman), Mr. Klockhaus (vice-chairman), Mr. Schiller and Mrs. Solomon. The Presidential Committee decides, instead of the Supervisory Board, on the following matters: (i) decisions regarding non-compensation-related elements of the service contracts of the members of the Management Board; (ii) the approval of ancillary activities of members of the Management Board, in particular, supervisory board mandates outside the Group; (iii) succession planning for the Management Board; (iv) legal transactions with members of the Management Board pursuant to Section 112 of the German Stock Corporation Act (*Aktiengesetz*); (v) certain legal transactions with the groups of people determined in Sections 89 and 115 of the German Stock Corporation Act (*Aktiengesetz*), in particular, members of the Management Board and the Supervisory Board (including loans granted to such members; however, if this may be regarded as part of his or her compensation, the Presidential Committee will merely prepare the draft resolution for the Supervisory Board); (vi) the approval of contracts with members of the Supervisory Board pursuant to Section 114 of the German Stock Corporation Act (*Aktiengesetz*); (vii) legal transactions which require the consent of the Supervisory Board pursuant to (v) above; (viii) in compliance with Section 107 (3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), decisions in such cases, in which it seems unacceptable to wait for the next meeting of the Supervisory Board and a decision cannot be effected by vote of the Supervisory Board within the necessary time limit; (ix) decisions in other matters which have been assigned to the Presidential Committee by decision of the Supervisory Board. The Presidential Committee supports the Supervisory Board in preparing issues such as the appointment and removal of members of the Management Board, the determination of the compensation system for members of the Management Board and the determination (or if required, reduction) of the respective Management Board member's salary, as well as monitoring compliance with the application of the Code following the Listing, and may present recommendations for resolutions regarding these topics.

The Audit Committee shall consist of six members elected by the Supervisory Board from among its members. The chairperson of the Audit Committee, which must be a shareholder representative and shall possess sufficient financial expertise, is elected by its members. The personal requirements for this office are laid down in the committee's rules of procedure. The position of chairperson or vice-chairperson of the Audit Committee should not be assigned to a former member of the Management Board whose appointment was terminated less than two years before. The chairperson of the Supervisory Board should also not serve as chairperson or vice-chairperson of the Audit Committee at the same time. The chairperson and the vice-chairperson of the Supervisory Board are *ex officio* members of the Audit Committee. They may, however, decline their respective membership; in this case they will be replaced by a member elected by the Supervisory Board. Mr. Steinemann declined membership in the Audit Committee, but will participate as guest in meetings of the Audit Committee on a case-by-case basis. As of the date of the Prospectus, the Audit Committee consists of Prof. Dr. Ernst (chairman), Mr. Klockhaus (vice-chairman), Dr. Funck, Mr. Herwarth, Dr. Raas and Mr. Schiller. The Audit Committee deals with issues relating to accounting, risk management and compliance. In lieu of the Supervisory Board, it handles the following key issues: addressing accounting issues and monitoring the accounting process; discussing the quarterly and half-year financial reports; monitoring the audit, in particular, ascertaining the required impartiality of the auditor and the supplemental services provided by the auditor as well as determining the audit's focus; launching tender and selection procedures for auditors; issues related to group tax planning. In the context of ascertaining the required impartiality of the auditor, the provision of permissible non-audit services by the auditor is subject to the approval of the Audit Committee; the Audit Committee shall issue guidelines for the provision of such services.

The Audit Committee also prepares Supervisory Board meetings and presents draft resolutions, for example, regarding monitoring the effectiveness of the risk management system, internal auditing, internal control systems and anti-fraud measures and the handling of compliance systems and related issues, auditing the annual unconsolidated and consolidated financial statements including the respective management reports, the nomination of an auditor, as well as commissioning the audit assignment to the auditors and preparing the fee agreement, and the medium-term planning of the Group's annual budget.

Pursuant to the rules of procedure of the Supervisory Board, the Nomination Committee shall consist of at least three members of the Supervisory Board. As of the date of the Prospectus and following the completion of the status proceedings all members of the Nomination Committee shall be shareholder representatives. The chairperson of the Supervisory Board shall be a member (and chairperson) of the Nomination Committee as well. As of the date of the Prospectus, the Nomination Committee consists of Mr. Steinemann (chairman), Mrs. Burr and Prof. Dr. Ernst. The Nomination Committee is responsible for proposing to the Supervisory Board candidates suited to be proposed as election nominees as shareholder representatives by the Supervisory Board to the general shareholders' meeting or for filling in vacancies in the Supervisory Board through a court appointment.

15.3.3. Current Members of the Supervisory Board

The following table shows the names of the current members of the Supervisory Board of the Company, as well as – where applicable – their further positions as members of a management, administrative or supervisory board in companies or as partners in partnerships, in each case outside the MWFS Group and during the last five years:

Name	Age	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships
Mr. Jürgen B. Steinemann (chairman)............................	58	February, 2017	2021***	Chairman of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)* Vice chairman of the supervisory board of Big Dutchman AG* Member of the supervisory board of Ewald Dörken AG* CEO (until 2015) and Member of the board of directors of Barry Callebaut AG* Member of the board of directors of Lonza Group AG* Chairman of the supervisory board of Bankiva B.V.*
Mr. Werner Klockhaus (vice-chairman)**.................	56	February, 2017	2018	Vice-chairman of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)* Member of the board of Hamburger Pensionskasse von 1905 VVaG*
Mrs. Gwyneth Burr	54	February, 2017	2020***	Member of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)* Member of the board of directors of DFS Furniture plc* Member of the board of directors of Hammerson plc* Member of the board of directors of Just Eat plc* Member of the board of directors of Sainsbury's Bank plc* Member of the family board of Ingleby Farms & Forests ApS* Member of the board of directors of DFS Furniture Holdings plc (until 2015)

Name	Age	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships
				Member of the board of directors of DFS Investments Ltd. (until 2015) Member of the board of directors of Financial Ombudsman Service Ltd. (until 2015) Member of the board of directors of Wembley National Stadium Ltd. (until 2015)
Mr. Thomas Dommel**	53	February, 2017	2018	Member of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)*
Prof. Dr. Edgar Ernst	65	February, 2017	2020***	Member of the supervisory board of Deutsche Postbank AG* Member of the supervisory board of TUI AG* Member of the supervisory board of VONOVIA SE* Member of the supervisory board of DMG MORI AG (until 2017) Member of the supervisory board of Wincor Nixdorf AG (until 2016) Member of the supervisory board of Österreichische Post AG (until 2013)
Dr. Florian Funck	46	February, 2017	2022***	Member of the supervisory board of METRO AG* Member of the management board of Franz Haniel & Cie. GmbH* Member of the supervisory board of TAKKT AG* Member of the supervisory board of VONOVIA SE* Member of the supervisory board of Celesio AG (until 2014) Member of the supervisory board of SmartLoyalty AG (until 2012)
Mr. Michael Heider**................	54	February, 2017	2018	
Mr. Andreas Herwarth**	59	February, 2017	2018	Member of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)* Member of the management board of METRO Unterstützungskasse e.V. (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)* Chairman of the supervisory board of Grundstücksgesellschaft der Stadt Willich mbH (until 2014)
Mr. Peter Küpfer	73	February, 2017	2021***	Member of the supervisory board of METRO AG* President of the board of directors of AHRB AG* President of the board of directors of ARH Resort Holding AG* President of the board of directors of Breda Consulting AG* Member of the board of directors of Cambiata Ltd.* Member of the board of directors of Cambiata Schweiz AG* Member of the board of directors of Lake Zurich Fund Exempt Company* Member of the advisory board of Gebr. Schmidt GmbH & Co. KG*

Name	Age	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships
				Member of the board of directors of Supra Holding AG* President of the board of directors of Travel Charme Hotels & Resorts Holding AG* Member of the foundation board of Stiftung Mercator Schweiz* Member of the board of directors of Bank Julius Bär & Co. AG (until 2012) Member of the board of directors of bmpi AG (until 2014) President of the board of directors of GE Money Bank AG (until 2013) Member of the board of directors of Holcim Ltd. Jona (until 2013) Member of the board of directors of Julius Bär Gruppe AG (until 2012) Vice-president of the board of directors of Karl Steiner Holding AG (until 2014) Member of the board of directors of Peter Steiner Holding AG (until 2014)
Mrs. Susanne Meister**	55	February, 2017	2018	Member of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)*
Dr. Angela Pilkmann**	54	February, 2017	2018	Member of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)*
Mr. Mattheus P. M. (Theo) de Raad	72	February, 2017	2018***	Member of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)* Member of the supervisory board of HAL Holding N.V.* Member of the supervisory board of Corbion N.V. (until 2014) Member of the supervisory board of Vion N.V. (until 2014) Member of the supervisory board of Vollenhoven Olie Groep B.V. (until 2015)
Dr. Fredy Raas	57	February, 2017	2019***	Member of the supervisory board of METRO AG* Member of the board of directors of ARISCO Holding AG* Member of the board of directors of Beisheim Capital AG* Managing director of Beisheim Group GmbH & Co. KG* Managing director of Beisheim Holding GmbH* President of the board of directors of Beisheim Management AG* Member of the board of directors of Montana Capital Partners AG* Chairman of the foundation board of Prof. Otto Beisheim Stiftung, Munich* Vice-president of the foundation council of Prof. Otto Beisheim-Stiftung, Baar, Switzerland* Vice-president of the board of directors of Refondo AG (until 2016) Member of the board of directors of SSZ Equipment AG (until 2014)

Name	Age	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships
Mr. Xaver Schiller**	55	February, 2017	2018	Member of the supervisory board of METRO AG (will be terminated with effectiveness of the Spin-Off, envisaged for July, 2017)*
Mrs. Eva-Lotta Sjöstedt	50	February, 2017	2019***	Member of the senior executive management and CEO of Georg Jensen A/S* Member of the management board and CEO of Karstadt Warenhaus GmbH (until 2015)
Mrs. Liliana Solomon	53	February, 2017	2020***	Member of the management board and CFO of Arqiva Group Ltd.* Member of the supervisory board of Scout 24 AG* Member of the management board and CFO of Unify GmbH & Co KG (until 2016) Member of the supervisory board of Vodafone Holding GmbH (until 2013), member of the supervisory board of Vodafone Netherlands (until 2013) and CFO Europe of Vodafone Group (until 2013) and COO Europe of Vodafone Group (until 2012)
Mrs. Alexandra Soto	48	February, 2017	2019***	Member of the board of directors of Bull S.A. (until 2014) Member of the board of directors of Lazard Frères Banque S.A. (until 2016)
Mrs. Angelika Will**	65	February, 2017	2018	Member of the supervisory board of METRO AG*
Mr. Manfred Wirsch**	58	February, 2017	2018	Chairman of the management board of the Berufsgenossenschaft Handel und Warenlogistik* Chairman of the management board of Deutsche Gesetzliche Unfallversicherung (DGUV)*
Mrs. Silke Zimmer**	46	February, 2017	2018	

* Position is currently held

** Designated employee representative

*** Terms specified in connection with the election of the general meeting of the Company on April 11, 2017, subject to the condition precedent of the registration of the amendment of the Articles of Association upon completion of the status proceedings (*Statusverfahren*). Subject to the foregoing, all Supervisory Board members are appointed until 2018.

15.3.3.1. Jürgen B. Steinemann (chairman) – brief biography

Born in 1958, Mr. Steinemann holds a degree in business administration from the European Business School in Wiesbaden, London and Paris, from which he graduated in 1985. From 1990 until 1998, Mr. Steinemann held different managing positions for Eridania Beghin Say Group in the business-to-business-marketing and sales divisions and was ultimately responsible for the area “corporate plan et stratégie” at the headquarters in Paris. From 1999 until 2001, Mr. Steinemann was CEO of Loders Croklaan, a former subsidiary of Unilever. From 2001 until 2009, Mr. Steinemann was a member of the management board and COO of Nutreco (Netherlands). From 2009 until 2015, Mr. Steinemann was CEO of Barry Callebaut AG; since 2014, he is member of the board of directors of this company. Since 2015, Mr. Steinemann has been a member of the supervisory board of METRO AG and became its chairman in 2016.

15.3.3.2. Werner Klockhaus (vice-chairman) – brief biography

Born in 1960, Mr. Klockhaus completed an apprenticeship as a merchant. He started his professional career as regional sales representative for Dahlhoff Schlüsseldienst. In 1984, Mr. Klockhaus transferred to Massa AG where he assumed the position of vice-head of department, before being announced head of department in 1990. From 1990 on,

Mr. Klockhaus additionally served as full-time chairman of the company works council and as a representative of the central company works council. In 1993, Mr. Klockhaus was elected as a member of the supervisory board of Massa AG and stayed on in this position after Massa AG was taken over by real,- SB-Warenhaus GmbH. Mr. Klockhaus was vice-chairman of the central group works council of METRO AG from 2000 until 2011, when he assumed the position of chairman of the central group works council, which he currently still holds. Mr. Klockhaus has been vice-chairman of the supervisory board of METRO AG since 2011. He is also chairman of the central company works council and vice-chairman of the supervisory board of real,- SB-Warenhaus GmbH (since 2013).

15.3.3.3. Gwyneth Burr – brief biography

Born in 1963, Mrs. Burr holds a degree in economics and history from the University of Bradford from where she graduated in 1984. After her studies, she joined Rowntree Mackintosh where she held various positions before moving up to European marketing manager. In 1988, Mrs. Burr joined Asda Ltd. where she became marketing director in 1996 and subsequently progressed to roles as customer service director and financial services director. In 2001, she founded The Resultant Team Consultancy and was managing director until 2005, when she joined J Sainsbury plc. In the time from 2005 until 2013, Mrs. Burr served as customer director and member of the operating board of J Sainsbury plc. Besides other positions as member of a supervisory body, including currently in the supervisory board of METRO AG, Mrs. Burr currently serves as a member of the board of directors of Hammerson plc.

15.3.3.4. Thomas Dommel – brief biography

Born in 1963, Mr. Dommel completed an apprenticeship as a coachbuilder with Thiele Fahrzeugbau. From 1986 until 2004, Mr. Dommel was employed as a driver at METRO LOGISTICS Germany GmbH in Sarstedt. Mr. Dommel was elected to the company works council in 2004 where he was a representative for the area of storage and administration until 2008, when he became chairman of the central company works council. From 2013 until 2014, Mr. Dommel was the group leader for vehicle disposition at METRO LOGISTICS Germany GmbH in Altlandsberg. Currently, Mr. Dommel is vice-chairman of the supervisory board at METRO LOGISTICS Germany GmbH (since 2009). Since 2014, Mr. Dommel has been chairman of the central company works council at METRO LOGISTICS Germany GmbH. Since 2015, Mr. Dommel has been a member of the supervisory board of METRO AG.

15.3.3.5. Prof. Dr. Edgar Ernst – brief biography

Born in 1952, Prof. Dr. Ernst holds a degree in mathematics and business administration from the University of Cologne as well as the degree Master of Operations Research from the University of Aachen. After completing his studies, Prof. Dr. Ernst graduated from the doctoral program of the University of Aachen as Dr. rer. pol., in 1982. Prof. Dr. Ernst started his professional career with McKinsey & Company Inc. in 1983. In 1986, he assumed the position of director at corporate development at the mail-order company Quelle GmbH. From 1990 until 1992, Prof. Dr. Ernst managed the planning and controlling division of Deutsche Bundespost POSTDIENST, before functioning as CFO there, until 2007. From 2006 until 2008, he was a member of the management board of the foundation Stiftung WHU. Since 2006, Prof. Dr. Ernst has been an honorary professor at the WHU – Otto Beisheim School of Management. Prof. Dr. Ernst currently serves as member of various supervisory boards. In addition, he serves as president at the German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung*) (since 2011).

15.3.3.6. Dr. Florian Funck – brief biography

Born in 1971, Dr. Funck holds a degree in business administration from the University of Münster, where he also worked as a scientific assistant. Dr. Funck began his professional career in 1999 with Franz Haniel & Cie. GmbH in Duisburg. After being employed in the corporate controlling and accounting department, Dr. Funck became its director in 2002. In June 2004, Dr. Funck was appointed to the management board of TAKKT AG where he was responsible for controlling and finance. Since 2011, Dr. Funck has been a member of the management board

of Franz Haniel & Cie. GmbH. He is responsible for the areas of controlling, accounting, taxes, finance and general services. Since 2012, Dr. Funck has been a member of the supervisory board of METRO AG.

15.3.3.7. Michael Heider – brief biography

Born in 1963, Mr. Heider completed an apprenticeship as a chef. He joined METRO Großhandelsgesellschaft mbH at the Wuppertal location where he held various functions including lastly in the incoming goods department. In 1990, Mr. Heider became a member of the company works council and since 2006 has been the chairman of the company works council at the Schwelm warehouse. In the same year Mr. Heider was elected a member of the central company works council of METRO Cash & Carry Germany before becoming vice-chairman of the central company works council in 2010. Since 2013, he also serves as a member of the supervisory board of METRO Großhandelsgesellschaft mbH.

15.3.3.8. Andreas Herwarth – brief biography

Born in 1957, Mr. Herwarth holds a degree in business administration and worked as a SAP-trainer and –consultant for SAP accounting- and controlling-modules. After employment at Jacques' Weindepot Wein-Einzelhandel GmbH, CLS-Unternehmensberatung, Mannesmann-Demag Baumaschinen, Thyssen Guss AG and T-Systems Unternehmensberatung, Mr. Herwarth has been employed with METRO AG since 2002. Until 2011, Mr. Hewarth worked in the area of corporate accounting. Mr. Herwarth was elected chairman of the METRO AG company works council in 2006 and has been representing the interests of the employees of METRO AG since April 2011, in his position as a full-time company works council representative. Since 2008, Mr. Herwarth has been a member of the supervisory board of METRO AG.

15.3.3.9. Peter Küpfer – brief biography

Born in 1944, Mr. Küpfer is a certified auditor (*diplomierter Wirtschaftsprüfer*). He began his professional career at RTS Revisions- und Steuerberatungs AG where he was employed from 1964 until 1971. In 1972 he transferred to Revisuisse Price Waterhouse (Basel and Zurich)where he became a member of the board of directors. In 1985, he assumed the position of CFO of Financière Credit Suisse First Boston (London and Zug) before becoming CFO of Credit Suisse First Boston (New York) in 1988. From 1989 until 1996, Mr. Küpfer was a member of the management board of Credit Suisse Holding and assumed various positions within the Credit Suisse Group. Among others, in 1990, he took the position of president of the board of directors of Credit Suisse Life. In addition, Mr. Küpfer served as chairman of the management board of Privatbank-Gruppe and Bank Leu AG. Since 1997, Mr. Küpfer has been an independent business consultant. Mr. Küpfer has served as member of the supervisory board of METRO AG since 2005.

15.3.3.10. Susanne Meister – Brief Biography

Born in 1962, Mrs. Meister completed an apprenticeship as a salesperson. She started her professional career at Wertkauf. Wertkauf was acquired by Wal-Mart Stores Inc., in 1997. In 2007, METRO AG acquired the German Wal-Mart branches. Mrs. Meister was employed as a cashier, until 2002. Since 2002, Mrs. Meister has been employed as full-time chairwoman of the works council of the Real hypermarket Duckwitzstraße in Bremen, Germany. Mrs. Meister has been a member of the supervisory board of METRO AG since 2013.

15.3.3.11. Dr. Angela Pilkmann – brief biography

Born in 1962, Dr. Pilkmann holds a degree from the Moscow School of Economics. She started her professional career as a purchaser at Interbuy Handelsgesellschaft mbH, a former subsidiary of Deutsche Kaufhaus AG which, in turn, was later merged with METRO AG. Dr. Pilkmann subsequently held several different positions within METRO Group. In 2006, Dr. Pilkmann was appointed department manager for the fresh foods divison at real,-SB-Warenhaus GmbH. Dr. Pilkmann is currently head of the department of goods at real,-SB-Warenhaus GmbH and a member of the management board of Liquer & Wine Trade GmbH. Since 2016, Dr. Pilkmann has been a member of the supervisory board of METRO AG.

15.3.3.12. Mattheus P. M. (Theo) de Raad – brief biography

Born in 1945, Mr. de Raad holds a degree in sociology from the University of Tilburg. From 1971 on, Mr. de Raad began his career as a consultant. From 1973 until 1977, Mr. de Raad was product group manager at Hamido Food Industries. Mr. de Raad then assumed the position of marketing manager at SHV Shipping Group N.V. from 1978 until 1979. Subsequently, Mr. de Raad transferred to Makro N.V. From 1980 until 1994, Mr. de Raad held positions as operations manager at makro Belgium, president of Makro Thailand and president of Makro Indonesia. Mr. de Raad was a member of the management board of SHV Makro N.V. from 1994 until 1995, before becoming chairman of the management board from 1996 until 1997, while also serving on the board of SHV Holdings N.V. From 1998 until 2000, Mr. de Raad was a member of the management board of METRO AG. As a member of the management board of Ahold N.V., Mr. de Raad was responsible for the areas Asia and Latin America from 2001 until 2005. From 2004 onwards, Mr. de Raad was a member of various supervisory boards, such as of Vion N.V. and Corbion N.V. Currently, Mr. de Raad, in addition to him being a member of the supervisory board of HAL Holding N.V., serves as a member of the supervisory board of METRO AG.

15.3.3.13. Dr. Fredy Raas – brief biography

Born in 1959, Dr. Raas holds a degree in business administration of the University St. Gallen with a focus on accounting and controlling. In 1988, he graduated from the doctoral program as Dr. oec. HSG. From 1984 until 1986, he was a scientific assistant and lecturer at the Institute of Management of the University St. Gallen. From 1986 until 1991, Dr. Raas worked as an inhouse-consultant in the area of central logistics for Siemens Group where he managed projects regarding the restructuration of business areas in Europe and the USA. From 1991 until 1996, Dr. Raas was CFO at Metro International Handels AG. After METRO AG went public in 1996, Dr. Raas served as CFO at METRO Cash & Carry Deutschland GmbH. From 1998 until 2001, Dr. Raas assumed the position of CFO at Praktiker Bau- und Heimwerkermärkte AG. From 2001 on, Dr. Raas assumed several managing positions in Prof. Otto Beisheim's family office. In 2013, Dr. Raas has been reappointed chairman of the foundation board of Prof. Otto Beisheim Stiftung in Munich and vice-president of the foundation council of Prof. Otto Beisheim-Stiftung in Baar, Switzerland. Dr. Raas is also managing director at the respective asset management companies. Moreover, Dr. Raas currently is a member of the supervisory board of METRO AG.

15.3.3.14. Xaver Schiller – brief biography

Born in 1961, Mr. Schiller completed an apprenticeship with METRO Cash & Carry Deutschland GmbH in 1979 and has since then been employed by this company. In 1980, he was appointed as shift supervisor of the computer center, before assuming the position as director at the computer center in 1988. Since 2006, Mr. Schiller has been representing the interests of the employees of METRO Cash & Carry Deutschland GmbH as chairman of the central company works council. Mr. Schiller has been a member of the supervisory board of METRO AG since 2008.

15.3.3.15. Eva-Lotta Sjöstedt – brief biography

Born in 1966, Mrs. Sjöstedt started out studying textile design at the Art & Design School of Stockholm. In 2003, Mrs. Sjöstedt took a bachelor degree in economics and marketing from the IHM Business School of Malmö. Further professional background was later gained through various courses and programs, one being an Executive Leadership Program at the Wharton School of the University of Pennsylvania. Mrs. Sjöstedt began her career in 1991 as fashion designer for Wellglow Manufacturing Company Limited, with base in both Hong Kong and Sweden, followed by some years with entrepreneurial activities. In 2003, Mrs. Sjöstedt joined the IKEA Group where she held various international positions with digital and online as well as branding, sales and supply chain responsibilities. In 2009, she became the retail manager/CEO of IKEA Group in the Netherlands and in 2012 the deputy global retail manager/member of the Executive Management Global Retail as well as member of the board of directors for IKEA Food Services. In February 2014, Mrs. Sjöstedt became CEO of Karstadt Warenhaus GmbH. Since 2016, Mrs. Sjöstedt has been the CEO of Georg Jensen A/S in Copenhagen.

15.3.3.16. Liliana Solomon – brief biography

Born in 1964, Mrs. Solomon holds an MBA from INSEAD business school as well as a PhD in physics. Over the past 20 years, Mrs. Solomon has held various senior executive offices, including positions as CEO, CFO and COO with numerous companies in the telecommunications and technology industry, such as Vodafone, Cable & Wireless Communications, Deutsche Telekom and in private equity owned companies. Currently, Mrs. Solomon is CFO at Arqiva Group Ltd. (since 2016) as well as a member of the supervisory board of Scout 24 AG (since 2015).

15.3.3.17. Alexandra Soto – brief biography

Born in 1968, Mrs. Soto graduated from the école des Hautes Études Commerciales de Paris, in 1990. She started her career as an investment banker at Morgan Stanley & Co. International plc in London and moved to Lazard & Co. Ltd., in 1993. In 2000, she became partner of Lazard Partners. In the course of her career, Mrs. Soto has advised corporate cross-border transactions in different sectors. From 2010, Mrs. Soto served as a non-executive director on the board of directors of Bull S.A. and its audit committee, until 2014, as well as on the board of directors of Lazard Frères Banque SA, until 2016. Mrs. Soto is currently COO of Lazard Europe and serves on several internal group management committees. She is a senior banker working across geographies based in London.

15.3.3.18. Angelika Will – brief biography

Born in 1952, Mrs. Will completed an apprenticeship as a salesperson. She started her professional career with Kamphaus. In 1974 she transferred to the METRO Cash & Carry warehouse in Dusseldorf, where, among other things, she was assistant to the divisional management in the area of goods as well as preliminary accounting controls and also worked in the customer service office. From 1998 until 2015, Mrs. Will was a full-time member and chairwoman of the company works council of METRO Cash & Carry Deutschland GmbH. She was also a member of the supervisory board of METRO Großhandelsgesellschaft mbH from 2003 until 2013. Mrs. Will is also honorary judge for the Federal Labor Court Erfurt and pro bono secretary of the Regional Association Board North Rhine-Westphalia of DHV - Die Berufsgewerkschaft e.V. (federal specialist group trade). Since 2008, Mrs. Will has been a member of the supervisory board of METRO AG.

15.3.3.19. Manfred Wirsch – brief biography

Born in 1959, Mr. Wirsch studied theology, philosophy and educational sciences. He has been a technical employee at ArcelorMittal Distribution Solutions Germany and Switzerland since 1984. From 1988 until 1989, he completed an internal master craftsman training (*Meisterausbildung*). From 1988 until 2011 he held various functions as employee representative with ArcelorMittal Group including chairman of the general works council. He is currently trade union officer with various functions within trade union commissions and committes and additionally holds offices within various branches of the statutory accident insurance including, *inter alia*, chairman of the management board of the Berufsgenossenschaft Handel und Warenlogistik and chairman of the management board of the Deutsche Gesetzliche Unfallversicherung (DGUV).

15.3.3.20. Silke Zimmer – brief biography

Born in 1971, Mrs. Zimmer has been working as a trade union officer with various functions for the German United Services Trade Union *(Vereinte Dienstleistungsgewerkschaften, ver.di*) since 1997. In 1999, she transferred to the regional department for trade, banks and insurance. Since November 2012, Mrs. Zimmer has been the head of the regional department for trade at the German United Services Trade Union and serves as negotiator in trade related employment matters as a representative of the union.

The members of the Supervisory Board can be contacted under the Company's business address.

15.3.4. Compensation and Other Benefits; Share Ownership

The compensation of the members of the Supervisory Board is set out in Section 13 of the Articles of Association, as will be filed with the commercial register after the completion of the Demerger. It states that the members of the Supervisory Board receive an annual fixed compensation, payable at the end of the respective financial year. Expenses incurred in connection with their office as well as any valued added tax payable on their compensation are reimbursed by the Company. The annual fixed compensation amounts to EUR 80,000 for each member of the Supervisory Board, to EUR 240,000 for the chairperson of the Supervisory Board, to EUR 160,000 for the vice-chairperson of the Supervisory Board and the chairpersons of the committees, and to EUR 120,000 for the other members of the committees, whereby the additional compensation compared to the annual fixed compensation of EUR 80,000 shall not apply with regard to the chairmanship and the membership in the Mediation Committee. The compensation for the chairmanship or membership in a committee shall only be paid if at least two meetings or other adoptions of resolutions of this committee have taken place in the respective financial year. If a member of the Supervisory Board holds several of the offices specified above at the same time, he or she shall receive only the compensation for one office, in the case of different compensations, the one for the office with the highest compensation. The members of the Supervisory Board receive insurance coverage through D&O insurance taken out by the Company. Those members of our Supervisory Board that are at the same time members of the supervisory board of the Existing Shareholders, METRO AG (see also *16.2. "Transactions and Relationships with Related Parties — Other Related Party Transactions"*), do not to receive any compensation for their membership in our Supervisory Board until the completion of the Demerger, whereas those members of the Supervisory Board who are not at the same time members of the supervisory board of the Existing Shareholder, are expected to receive compensation as of their appointment on a pro rata basis, as will be paid after the completion of the Demerger.

In the financial year 2015/2016 and until the transformation of the Company into a stock corporation, the Company (then existing as a German limited liability company, *Gesellschaft mit beschränkter Haftung, GmbH*) did not have a Supervisory Board and no compensation was paid in this respect. From the transformation of the Company into a stock corporation until February 21, 2017, three executives of METRO AG served as members of the Supervisory Board of the Company and did not receive any compensation for these duties from the Company.

The members of the Company's Supervisory Board receive no pension payments or retirement benefits in their capacity as members of the Supervisory Board, and accordingly, no provisions have been booked by the Company or its subsidiaries to provide pension, retirement or similar benefits. No member of the Supervisory Board has executed a contract for services with a company of the Group that provides for benefits on termination.

The past and current members of the Supervisory Board, respectively, do not hold any Shares or options on Shares of the Company as of the date of the Prospectus. However, certain individual members of the Supervisory Board hold 197,040 shares of METRO AG in total, for which 197,040 Shares of the Company will be issued upon the effectiveness of the Spin-Off, if the respective METRO AG shares are still held on such date.

15.4. Certain Information on the Members of the Management Board and the Supervisory Board

In the last five years, none of the members of the Management Board and the Supervisory Board has been convicted in relation to any fraudulent offences. None of the members of the Management Board and the Supervisory Board has been associated with any bankruptcies, receiverships or liquidations during the last five years. No official public incriminations by statutory authorities or regulatory authorities (including designated professional bodies) have been made and/or sanctions imposed against any member of the Management Board or the Supervisory Board during this period. None of the members of the Management Board and the Supervisory Board have been considered by a court to be unfit to qualify as a member of an administrative, management or supervisory body of any issuer or from acting in the management or conduct of the affairs of any issuer during the last five years.

To the extent that the members of the Management Board or the Supervisory Board directly or indirectly will hold Shares in the Company upon the effectiveness of the Spin-Off, they may, separately from their positions in the governing body, have special interests as a result of their shareholdings. No conflicts or potential conflicts exist with regard to obligations owed to the Company as of the date of the Prospectus that could result from their private interests or other obligations. However, as set out in *15.2.2. "— Management Board — Current Members of the Management Board"* and *15.3.3. "— Supervisory Board — Current Members of the Supervisory Board"*, certain members of the Management Board and of the Supervisory Board currently still hold offices at our Existing Shareholder, some of which, however, have resigned conditional upon the effectiveness of the Spin-Off. Upon completion of the Demerger, none of the members of our Management Board will continue to hold any office at the Existing Shareholder. Four members of the Supervisory Board, being Dr. Funck, Mr. Küpfer, Dr. Raas and Mrs. Will, are expected to remain supervisory board members of the Existing Shareholder after the completion of the Demerger, see also *16.2. "Transactions and Relationships with Related Parties — Other Related Party Transactions"*. Furthermore, three of the members of our Supervisory Board are associated with one of the main shareholder groups of the Existing Shareholder (who will, upon the effectiveness of the Spin-Off, become shareholders in the Company). Two of these simultaneously serve on the management boards of two of the main shareholder groups of the Existing Shareholder (who will, upon the effectiveness of the Spin-Off, become shareholders in the Company). One member of our Supervisory Board on each management board.

There are no family relationships between the members of the Management Board and the Supervisory Board or among the members of each respective board.

15.5. General Shareholders' Meeting

General shareholders' meetings (regular and extraordinary) take place at the registered office of the Company or at the seat of a German stock exchange or in a city in Germany with more than 500,000 inhabitants. Each of the Ordinary Shares entitles the shareholder to one vote at the general shareholders' meeting of the Company. The voting right arises only upon fully paid up Shares. The Ordinary Shares carry full dividend rights for their holders for the dividends declared by the Company for the full financial year ending September 30, 2017 and for all subsequent financial years.

Except as otherwise provided by law and the Articles of Association, the Preference Shares do not entitle the shareholder to vote at the general shareholders' meeting. Each of the Preference Shares entitles the shareholder to one vote at the general shareholders' meeting of the Company, provided, however, that the preferred dividend (see *14.1 "Information on the Share Capital of the Company and Applicable Regulations — Share Capital and Shares"*) is not paid or not paid in full in any given year and if the amounts in arrear are not paid in the next following year, together with the full preferred dividend for such year. There are no other restrictions on voting rights.

Unless mandatory statutory provisions require otherwise, resolutions are adopted by a simple majority vote and, if a majority of the capital is required, with a majority of the share capital represented when the resolution is adopted. This does not apply to resolutions pursuant to Section 103 (1) of the German Stock Corporation Act (*Aktiengesetz*) (dismissal of a member of the supervisory board). Pursuant to German stock corporation law, resolutions of fundamental importance require the approval of the majority of the votes cast and of a 75% majority of the share capital represented at the passing of the resolution. Resolutions of fundamental importance include, among others:

- amendments to the purpose/objects of the Company,
- capital increases (in case preference shares shall be issued and/or the subscription rights of the shareholders shall be excluded),
- capital reductions,
- creating authorized or conditional capital,
- mergers, spin-offs or amalgamations, as well as transfers of the share capital or assets of the Company,

- execution of corporate group agreements (especially control and profit and loss transfer agreements),
- changes to the legal status of the Company, and
- dissolution of the Company.

The general shareholders' meeting can be convened by the Management Board, the Supervisory Board or shareholders whose combined shareholding amounts to 5% of the share capital. Shareholders or shareholders' associations can use the shareholder forum of the German Federal Gazette *(Bundesanzeiger)*, which is available through the Company Register's (*Unternehmensregister*) website, to either put forward a joint request or to put forward a request on behalf of the shareholders for a general shareholders' meeting. The Supervisory Board must call a general shareholders' meeting if it is in the interest of the Company. The annual regular general shareholders' meeting takes place within the first eight months after the expiration of the financial year. The notice of the general shareholders' meeting must be issued in the German Federal Gazette 36 days prior to the day of the general shareholders' meeting at the latest, the day of the general shareholders' meeting itself and the day of the receipt of the notice not being included in this notice period. Only shareholders who have registered their Shares in a timely manner (prior to the general shareholders' meeting) are entitled to participate in the general shareholders' meeting and exercise their voting rights under the Articles of Association. Legitimation for participating in the general shareholders' meeting requires share ownership on the 21st day before the general shareholders' meeting (record date). Shareholders who can prove their share ownership on the record date are entitled to participate and exercise all rights as shareholders in the general shareholders' meeting, even in case of a subsequent sale of shares before the date of the general shareholders' meeting. Vice versa, shareholders who have acquired their shares after the record date are not entitled to participate or exact rights as shareholders in the general shareholders' meeting. The registration must be received by the Company at the address stated in the notice calling the meeting no later than six days prior to the meeting. The date of receipt is not taken into account when calculating the time period. The registration must be in text form (Section 126b of the German Civil Code (*Bürgerliches Gesetzbuch*)) and must be in German or English. The Management Board is authorized to permit shareholders to participate in the shareholders' meeting without being physically present at the meeting and without a proxy being present. It may further allow for all or individual shareholders to exercise some or all of their rights partially or fully by way of electronic communication. The Management Board is also authorized to allow shareholders to cast their votes in writing or by way of electronic communication without being present at the general shareholders' meeting (postal vote). Should the Management Board use this authorization, it will specify the details of this procedure at the time of convening the general shareholders' meeting.

Neither German law nor the Articles of Association limit the rights of shareholders who do not reside in Germany or who are foreign shareholders in relation to holding Shares and exercising the voting rights pertaining to the Shares (other than the limitation applicable to any holders — whether German residents or not — of Preference Shares, as explained above).

The rights of the shareholders can generally only be amended with the consent of the affected shareholders but there are circumstances, set out by law, in which a 75% majority is sufficient. Currently, there are no provisions in the Articles of Association that deviate from the statutory provisions regarding the scope of amending shareholders rights.

15.6. Corporate Governance

The Company takes good corporate governance to mean responsible enterprise management and supervision geared to sustainable value creation. In particular, the Company strives to further foster the trust placed in the MWFS Group by investors, business partners and employees, as well as the public at large. The Company also attaches great importance to the efficient conduct of their work by the Management Board and Supervisory Board, good co-operation between these bodies and with the Company's staff, and to open and transparent corporate communications.

The corporate structure of the Company is based on the responsible, transparent and efficient leadership and control of the Company. The Company therefore identifies itself with the objectives of the Code in its most recent version.

The Code provides recommendations and ideas for the management and the supervision of German listed companies. It is based on internationally and nationally recognized standards of good, responsible corporate management. The Code contains recommendations ("should provisions") and suggestions ("can provisions") for corporate governance in relation to shareholders and the general shareholders' meeting, the Management Board and the Supervisory Board, transparency and accounting and auditing of financial statements. Compliance with the recommendations or suggestions of the Code is not obligatory. German stock corporation law only requires the Management Board and the Supervisory Board of a listed company to state annually that the recommendations in the Code have been complied with or to explain which recommendations have not been complied with and are not being applied and the reasons behind non-compliance. It is possible to deviate from the suggestions contained in the Code without disclosure. The declaration of compliance must be publicly available on the Company's website at all times.

Prior to the Listing of the shares of the Company, the Company is under no obligation to issue a declaration relating to the Code. In accomplishing its goal of sustainably enhancing its value, the Company is guided extensively by the principles of the Code.

The Company complies as of the date of the Prospectus, and intends to comply after the Listing of the Shares, with all recommendations of the Code, except for clause 7.1.2 sentence 3 of the Code in the financial year 2016/2017 due to the Demerger as the initial consolidation of the Group companies is expected to require more time than the 45 days as recommended under the Code.

16. TRANSACTIONS AND RELATIONSHIPS WITH RELATED PARTIES

The following legal relationships existed between the companies of the MWFS Group and related parties in the financial years 2015/2016, 2014/2015 and 2013/2014, respectively, and in the current financial year 2016/2017 until the date of the Prospectus. Business relationships between the Company and other companies of the Group (the effects of which have been eliminated as part of the consolidation in connection with the preparation of the Audited Combined Financial Statements) are not included. Related parties pursuant to IAS 24 include those entities with whom the Company forms an affiliated group or in which it holds an interest that enables it to exercise a significant influence over the business policy of the associated company, as well as the principal shareholders in the Company, including their affiliates.

We maintain business relationships with CE Group companies and maintained business relationships with companies of the GALERIA Kaufhof Group until 2014/2015. CE Group companies are considered as related parties to MWFS Group because they were controlled by the Existing Shareholder in the financial years 2015/2016, 2014/2015 and 2013/2014, respectively, and in the current financial year 2016/2017 until the date of the Prospectus and as they will be controlled by the Existing Shareholder until the completion of the Demerger. The companies of the GALERIA Kaufhof Group are also considered as related parties to MWFS Group because they were controlled by the Existing Shareholder until September 30, 2015. Our business relationships with CE Group companies and GALERIA Kaufhof Group companies are, or were (in the case of GALERIA Kaufhof), characterized by group-wide procurement and sales activities, centralized administrative and service functions as well as centralized financing by METRO Finance B.V. These relationships result or resulted in comprehensive intra-group transactions and other mutual obligations. Further information, including quantitative information, on related party transactions is contained in the notes to our Combined Financial Statements, which are included in section *20 "Financial Information"*.

Related parties also include the members of the Company's Management Board and Supervisory Board, their close family members, and those entities over which the members of the Company's Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

16.1. Transactions and Relationships with the Existing Shareholder and the CE Group

The Company and the Existing Shareholder concluded the Demerger Agreement on December 13, 2016. For a description of corporate restructuring measures in relation to the Demerger itself based on the Demerger Agreement, as well as of the Demerger Agreement, see *3.2. "The Demerger and Listing — Demerger Procedure"*. The Existing Shareholder and the Company also entered into the Group Separation Agreement, which legally forms part of the Demerger Agreement and includes provisions on various legal relationships between the parties and their respective group companies after the Hive-Down and Spin-Off takes effect. For a detailed description of the Group Separation Agreement, see *11.1.2. "Material Contracts — Agreements Relating to the Demerger — Group Separation Agreement"*.

16.1.1. Corporate Restructuring Measures in Relation to the Demerger

In the context of the legal reorganization prior to the Demerger, several restructuring measures were required to achieve MWFS Group's target structure prior to the Demerger. These included, in particular, preparatory measures for some of our entities, the acquisition of MWFS AG (then METRO Wholesale & Food Specialist GmbH) by ZH KG, measures regarding the asset position of our Group, the disposal of economic activities to MWFS AG (then METRO Wholesale & Food Specialist GmbH) and the change of METRO Wholesale & Food Specialist GmbH's legal form to MWFS AG. For a detailed description of the transactions that were carried out in this context, see *3.1. "The Demerger and Listing — Corporate Structure Prior to the Demerger"*.

16.1.2. Corporate Legal Relationships

On September 19, 2016, the Company and the Existing Shareholder entered into an option agreement relating to the limited partnership interest of approximately 6.6% held by the

Existing Shareholder in METRO PROPERTIES GmbH & Co. KG. For a description of the interest of approximately 6.6% held by the Existing Shareholder in METRO PROPERTIES GmbH & Co. KG, see *3.1. "The Demerger and Listing — Corporate Structure Prior to the Demerger".* Under this agreement the Existing Shareholder grants a call option to the Company, and the Company grants a put option to the Existing Shareholder with respect to the limited partnership interest held by the Existing Shareholder. Each of these options may only be exercised within certain six-months periods. At the earliest, the call option may be exercised three years after completion of the Demerger. The put option may at the earliest be exercised seven years after the Demerger becomes effective. The purchase price shall equal the proportionate business value of METRO PROPERTIES GmbH & Co. KG at the time of receipt of the option exercise notice. The business value will be calculated in accordance with the IDW S1 standard by an auditor commissioned by both the Company and the Existing Shareholder.

It is also intended that the Company itself, or a subsidiary of the Company, will acquire an interest of approximately 24.9% in Retail Media Group GmbH, an indirect subsidiary of the Existing Shareholder. This joint venture is intended to leverage digital and mobile customer data generated on owned media channels (e.g. websites, apps, newsletters) of retail partners by creating audience segments to run advertising campaigns for marketers.

16.1.3. Indemnification and Cost Allocation

As part of the Demerger, the Company has agreed on certain indemnifications and cost allocation undertakings with the Existing Shareholder. The indemnifications include, in particular, an indemnification for taxes and certain liabilities allocated to the other businesses (*i.e.,* the MWFS Business or the CE Business) which were created prior to the Economic Effective Date. For indemnification relating to taxes and certain liabilities, see *11.1.2. "Material Contracts —Agreements Relating to the Demerger — Group Separation Agreement".*

In the Demerger Agreement the Company has undertaken to bear the costs of the Demerger, except for certain costs incurred by the Existing Shareholder, such as the costs for its general shareholders' meeting and all costs for its advisers to the extent that the advisory relationship relates to the Existing Shareholder's assets, see also *3.11. "The Demerger and Listing — Listing Agreement, Fees, Indemnity, Lock-up".*

16.1.4. Financing

Prior to the separation from the CE Group, our Group was primarily financed by external financing arrangements as well as intercompany financing provided by the Existing Shareholder and METRO Finance B.V., a wholly-owned subsidiary of the Existing Shareholder as of the date of the Prospectus whose shares will be transferred to the Company by way of the Hive-Down. As part of the Demerger, the external financing arrangements as well as the intercompany financing by the Existing Shareholder existing at the Economic Effective Date will in principle be transferred to the Company. The Existing Shareholder maintains a EUR 2 billion commercial paper program governed by French law (*programme de Billets de Trésorerie (Titres de Créances Négociables)*) (the "**French Commercial Paper Program**"), with the Existing Shareholder as issuer, Société Générale as arranger, and certain financial institutions as dealers. The French Commercial Paper Program provides for the issuance of short-term notes denominated in Euros or any other currency authorized by French law up to an amount of EUR 2 billion. Standard & Poor's has assigned the rating A-3 to the French Commercial Paper Program. As of September 30, 2016, no notes have been issued under the French Commercial Paper Program. The French Commercial Paper Program will not be transferred to the Company as part of the Demerger, but will remain with the Existing Shareholder. However, the Existing Shareholder and the Company have agreed in the Demerger Agreement that, until the Hive-Down is registered with the commercial register of the Existing Shareholder, the Existing Shareholder will maintain the French Commercial Paper Program on behalf and on the instruction and at the expense of the Company. Therefore, if necessary, the Existing Shareholder will be instructed by MWFS AG to issue notes under the French Commercial Paper Program and to forward the proceeds to the Company. In return, the Company will indemnify the Existing Shareholder of any liabilities under or in connection with the French Commercial Paper Program and will pay a customary remuneration to the Existing Shareholder.

Our Group, together with the Existing Shareholder and companies of the CE Group, participated in the cash pool activities over which the investment of excess short-term liquidity and the fulfillment of financing needs via overdraft facilities were organized. Additionally, our Group, together with the Existing Shareholder and companies of the CE Group, participated in other cash management systems including, in particular, processing and invoicing of intra-group receivables and payables. Customary interest rates were charged to our Group companies in compliance with transfer pricing rules and internal limits. The companies of the CE Group have been fully excluded from the cash pool system before October 1, 2016. Since then, both our Group's and CE Group's liquidity is managed autonomously.

In addition, companies of the CE Group and our Group are and were party to a number of intercompany loan agreements. These concerned, in particular, investments of surplus liquidity of Media-Saturn-Holding GmbH to METRO Finance B.V. and borrowings of international subsidiaries of Media-Saturn-Holding GmbH from METRO Finance B.V. until September 30, 2015. The balance of receivables and payables of our Group against/towards CE Group companies related to these investments amounted to EUR O million as of March 31, 2017 (September 30, 2016: EUR 0 million; September 30, 2015: EUR 1 million; September 30, 2014: EUR (68) million).

Furthermore, as of September 30, 2016, the Existing Shareholder had a claim for repayment of a loan amounting to EUR 450 million against the Company based on a shareholder loan agreement as of that date, with an interest rate of 0.019% per annum and with a term ending September 30, 2017. Subsequently, a partial amount of this loan totaling approximately EUR 13 million was contributed into MGLEH (which will be spun-off to the Company as part of the Demerger). Another partial amount of the loan of approximately EUR 233 million was contributed into the Company and thus became extinct. In February 2017, the Company repaid the remaining amount of approximately EUR 204 million of this loan including interest. This part of the loan was allocated to the Existing Shareholder in the Demerger Agreement.

METRO Finance B.V. also granted a loan to the Existing Shareholder on February 6, 2017, amounting to EUR 40 million which has been repaid (including interest) in March 2017.

On the basis of service agreements concluded at arm's length with respect to remuneration, METRO Finance B.V. has taken over the hedging arrangements for the companies of the CE Group until completion of the Demerger. Any ongoing hedging arrangements will be terminated or acquired by the Existing Shareholder after completion of the Demerger.

For further financing relations between us and the Existing Shareholder following the completion of the Demerger, see *11.2. "Material Contracts — Financing Agreements*."

16.1.5. Intellectual Property Rights

The Demerger generally includes the separation of intellectual property rights including, in particular, industrial property rights such as licenses and trademarks, know-how and rights in internally generated software and software licenses pertaining to the respective MWFS or CE business. The Demerger Agreement provides that the Existing Shareholder and its affiliated companies are entitled to use the METRO trademark free of charge, in particular, in its legal name, for up to three months after the legal name change of METRO AG to CECONOMY AG is registered with the commercial register. In addition, the Existing Shareholder retains a non-exclusive, non-transferable, free-of-charge and non-terminable usage right in respect of know-how transferred to the Company as part of the Demerger insofar this know-how was also used by the CE Business, together with the right to sublicense such rights to its affiliated companies. The Existing Shareholder is obliged to reimburse any fees paid by the Company to third parties for know-how in this regard on a pro-rata basis.

16.1.6. Insurance

In the financial years 2015/2016, 2014/2015 and 2013/2014, the Group companies were insured under the former METRO Group's group insurance policy. The associated costs were borne by our Group companies.

Our Group has separate and independent insurance policies since October 1, 2016. Until September 30, 2016, insurance policies of the METRO Group partially covered risks attributable to our Group after October 1, 2016. All previous group-wide insurance policies relating to the

METRO Group were split between the MWFS Business and the CE Business as of September 30, 2016, except for certain D&O and criminal defence insurance policies. These insurance policies will be split as of the completion of the Demerger. The D&O insurance policy of the Existing Shareholder will be converted into a so-called "run-off" policy as of the completion of the Demerger, that is, it will only cover incidents prior to the completion of the Demerger. For indemnification arrangements in this regard, see *11.1.2. "Material Contracts — Agreements Relating to the Demerger — Group Separation Agreement".*

16.1.7. Real Estate

Rental agreements relating to business properties have been concluded between Group companies as landlords and CE Group companies as tenants with arm's length remuneration conditions. These will continue to apply after the completion of the Demerger and cover approximately 30 properties. We recorded rental income amounting to EUR 19 million in 2015/2016 (2014/2015: EUR 20 million; 2013/2014: EUR 23 million) and EUR 9 million for the six month period 2016/2017 (six-month period 2015/2016: EUR 10 million). This rental income was based on rental services provided mainly by German real estate companies of our Group to German CE Group companies, as well as rental services (amounting to approximately 40% of the total rental services provided) rendered to CE Group companies including, in particular, those based in Poland and Turkey. In addition, we are implementing a shop-in-shop concept in certain countries, including Russia and Belgium, where CE Group companies rent certain areas within one of our warehouses to offer an agreed range of consumer electronic products. Rent agreements with respect to shop-in-shop co-operations typically include certain variable rent components such as net turnover and may include certain stipulations on exclusivity and competition.

16.1.8. Collateral/Rent Guarantees

The Group provided collateral on behalf of companies of the GALERIA Kaufhof Group. In the financial year 2013/2014, contingent liabilities of EUR 33 million had been recognized in the Combined Financial Statements for the rental guarantees provided by the Group. While the commitments remained as of March 31, 2017, the GALERIA Kaufhof Group was no longer considered a related party as of September 30, 2015. Thus, the commitments were disclosed as contingent liabilities as of September 30, 2016 and March 31, 2017, see also *8.8.7.3. "Management's Discussion and Analysis of Net Assets, Financial Position and Results of Operations — Liquidity and Capital Resources — Financial and other Liabilities — Contingent Liabilities and Purchasing Obligations".* The risk assessment for these rental guarantees was conducted by taking into account the quality of location. As of September 30, 2016, collateral provided on behalf of CE Group companies largely concerns loans of Media Markt Turkey in the amount of EUR 0 million (September 30, 2015: EUR 30 million; September 30, 2014: EUR 35 million). There were corresponding warranties of Media-Saturn Holding GmbH for the benefit of our Group.

16.1.9. Service Agreements

The CE Corporate Center and the MWFS Corporate Center were separated as of September 30, 2016. As of the date of the Prospectus, entities of our Group and entities of the CE Group provide each other with certain Corporate Center services relating to, *inter alia*, treasury, accounting and controlling, internal audit, human resources, investor relations, communications and public policy, corporate responsibility as well as legal and tax services, pursuant to arm's length remuneration conditions. In the Demerger Agreement, the Company and the Existing Shareholder also agreed to conclude a separate service agreement immediately after the Hive-Down takes effect for each of the services performed previously and to be performed in the future.

For a transitional period after the completion of the Demerger, MWFS Group companies will perform IT services for CE Group companies. This will be based on service agreements concluded before September 30, 2016 between the Existing Shareholder and our Group companies, in particular, METRO Systems GmbH and METRO Global Business Services Pvt. Ltd. The purpose of the agreement with METRO Systems GmbH is to ensure that the Existing Shareholder and its subsidiaries will be supplied with the material IT functions. In particular, the

agreement covers IT-related service functions including support and purchasing services, server and database functionalities, domain administration, network architecture, telephone, video and other services. The purpose of the agreement with METRO Global Business Services Pvt. Ltd. is to provide the Existing Shareholder additionally with various SAP functions. Invoicing for the services will be conducted on an arm's length basis.

Additionally, various other service agreements between our Group companies and companies of the CE Group were concluded which govern the performance of mutual support services, including those performed after the completion of the Demerger. In particular, the agreements cover commercial, infrastructural and technical facility management services, travel agency services as well as insurance brokerage and intermediary services. The agreements that are in place until the completion of the Demerger, and which relate to the performance of administrative pension services by the Existing Shareholder for our Group, are intended to be continued for a transitional period after the completion of the Demerger if this is required. Any and all services agreed on between our Group and the CE Group are intended to be performed based on arm's lengths remuneration conditions.

16.1.10. Employment-Related Relationships

Commitments for benefits under occupational pension schemes as granted to employees of the Existing Shareholder will be continued by the Existing Shareholder after the Hive-Down takes effect or, to the extent that the employment relationships are transferred to the Company, by the Company while taking into account the vested period of service. This will also apply to any vested entitlements to benefits under occupational pension schemes which were acquired by active employees of the Existing Shareholder for periods of unemployment which are already completed. No later than the date on which the Hive-Down takes effect, both the Existing Shareholder and the Company shall be members of Hamburger Pensionskasse von 1905 VvaG and will each have entered into separate agreements with Swiss Life International Pension Fund a.s.b.l. allowing for a continuation of the commitments for benefits under company pension schemes. In the Demerger Agreement, the Existing Shareholder and the Company have agreed to ensure that those assets providing coverage of the commitments in place at Hamburger Pensionskasse von 1905 VvaG and those of other pension trusts through which the settlement of commitments of the Existing Shareholder in relation to benefits under company pension schemes is effected as well as those of Swiss Life International Pension Fund a.s.b.l., are allocated to employees of the Group and employees of CE Group accordingly. These will be available in future in accordance with their allocation as assets covering commitments of the Existing Shareholder and the Company.

The Company may not become a member of METRO Unterstützungskasse e.V. under the articles of association of METRO Unterstützungskasse e.V. Therefore, the Existing Shareholder and the Company have agreed in the Demerger Agreement that pension fund commitments settled through METRO Unterstützungskasse e.V., and granted to employees who are transferred to the Company, will be continued in the form of a direct commitment from when the Hive-Down takes effect.

For LTI Programs and STI Programs, see *3.9. "The Demerger and Listing — Interests of Parties Participating in the Listing and Demerger"* and *15.2.3. "Governing Bodies — Management Board — Compensation and Other Benefits; Share Ownership"*.

16.1.11. Business and Finance Transactions in the Financial Years 2015/2016, 2014/2015 and 2013/2014 and in the Six-Month Period 2016/2017 and 2015/2016

In the financial years 2015/2016, 2014/2015 and 2013/2014 and in the six-month periods 2016/2017 and 2015/2016 business transactions and finance transactions with the CE Group companies and the GALERIA Kaufhof Group companies (until 2014/2015) resulted in income and expenses as set out in the following table:

(in EUR million)	For the six-month period		For the financial year		
	2016/2017	2015/2016	2015/2016	2014/2015	2013/2014
	(unaudited)		(audited)		
Income	**51**	**57**	**92**	**305**	**357**
CE Group	48	57	92	115	123
GALERIA Kaufhof Group	—	—	0	190	217
Associates	0	0	0	0	16
Other related parties	3	0	0	0	1
Expenses	**64**	**52**	**105**	**116**	**109**
CE Group	11	9	16	18	19
GALERIA Kaufhof Group	—	—	0	18	19
Associates	42	37	74	65	59
Other related parties	11	6	15	15	12

Income from services rendered to the CE Group comprises industry compensation for logistics services that were transferred from the Media-Saturn Group to the METRO Group as pass-through items.

In the financial years 2015/2016, 2014/2015 and 2013/2014 and in the six-month period 2016/2017 business transactions and finance transactions with the CE Group companies and the GALERIA Kaufhof Group companies (until 2014/2015) resulted in receivables and liabilities as of the respective balance sheet date as set out in the following table:

(in EUR million)	As of March 31, 2017	As of September 30,		
		2016	2015	2014
	(unaudited)	(audited)		
Receivables	**22**	**5**	**371**	**607**
CE Group	17	5	371	393
GALERIA Kaufhof Group	—	0	0	214
Associates	0	0	0	0
Other related parties	5	0	0	0
Liabilities	**7**	**225**	**366**	**896**
CE Group	3	224	363	527
GALERIA Kaufhof Group	—	0	0	365
Associates	0	0	1	2
Other related parties	4	1	2	2

16.1.11.1. Transactions with CE Group Companies

Income from services rendered to related parties of the CE Group essentially comprised income from sourcing synergies and rental income. We recorded an income from sourcing synergies of EUR 63 million (2014/2015: EUR 62 million; 2013/2014: EUR 64 million) for 2015/2016 and EUR 26 million for the six-month period 2016/2017 (six-month period 2015/2016: EUR 32 million). Rental income amounted to EUR 19 million in 2015/2016 (2014/2015: EUR 20 million; 2013/2014: EUR 23 million) and EUR 9 million for the six-month period 2016/2017 (six-month period 2015/2016: EUR 10 million). In addition, income from rendered services included income from other services amounting to EUR 9 million in 2015/2016 (2014/2015: EUR 17 million; 2013/2014: EUR 22 million) and EUR 3 million for the six-month period 2016/2017 (six-month period 2015/2016: EUR 6 million).

Expenses related to services received from CE Group companies mostly concerned expenses for procurement logistics.

As of September 30, 2016, open receivables from services provided to CE Group amounted to EUR 5 million (September 30, 2015: EUR 371 million; September 30, 2014: EUR 393 million) and EUR 17 million as of March 31, 2017. These mostly consisted of loans by METRO Finance B.V.,

and, for the first half of 2016/2017, of charging-on of cost related to services. As of September 30, 2016, liabilities of the CE Group amounted to EUR 224 million (September 30, 2015: EUR 363 million; September 30, 2014: EUR 527 million), which primarily resulted from the provision of initial cash resources to CE Group as agreed in the Demerger Agreement on September 30, 2016. As of March 31, 2017, liabilities of the CE Group amounted to EUR 3 million.

16.1.11.2. Transactions with Companies of the GALERIA Kaufhof Group

Until the sale of the GALERIA Kaufhof Group to Hudson's Bay Company on September 30, 2015, the companies of the GALERIA Kaufhof Group were considered related parties of the MWFS Group.

In 2014/2015, income from services rendered to related parties of the GALERIA Kaufhof Group mostly included sales and earnings from the reimbursement of procurement costs in the amount of EUR 163 million (2013/2014: EUR 174 million). In financial year 2014/2015, rental income from related parties of the GALERIA Kaufhof Group amounted to EUR 14 million (2013/2014: EUR 16 million). In addition, income from services rendered in 2014/2015 included an income of EUR 10 million from sourcing synergies (2013/2014: EUR 12 million). In 2014/2015, expenses for services received from companies of the GALERIA Kaufhof Group included EUR 12 million (2013/2014: EUR 14 million) in expenses from the distribution of synergy effects as well as EUR 9 million (2013/2014: EUR 11 million) in rental expenses. As of September 30, 2014, open receivables from services rendered to the GALERIA Kaufhof Group amounted to EUR 214 million (October 1, 2013: EUR 405 million) and mostly consisted of merchandise procurement and finance lease receivables as well as financial receivables from cash management. Liabilities from services received as of September 30, 2014 totaling EUR 365 million (October 1, 2013: EUR 367 million) primarily consist of financial liabilities arising from cash management.

16.1.11.3. Transactions with Associates and Other Related Parties

In 2015/2016, MWFS Group companies received rental services from associates in the amount of EUR 74 million (2014/2015: EUR 65 million; 2013/2014: EUR 59 million). Rental services received from associates amounted to EUR 42 million for the six-month period 2016/2017 (six-month period 2015/2016: EUR 37 million). These primarily concerned lease payments by METRO Cash & Carry France to OPCI French Wholesale Stores – FWS. In 2013/2014, the income of EUR 16 million based on services rendered by MWFS Group companies to associates concerned the income from the sale of shares in a property company to METRO Unterstützungskasse e.V. Expenses for services received from other related parties primarily relate to hygiene and textile services by the CWS boco group in the amount of EUR 8 million in 2015/2016 (2014/2015: EUR 9 million; 2013/2014: EUR 9 million) and EUR 4 million for the six-month period 2016/2017 (six-month period 2015/2016: EUR 4 million). Expenses for rental services by other related parties amounted to EUR 6 million in 2015/2016 (2014/2015: EUR 6 million; 2013/2014: EUR 3 million) and EUR 1 million for the six-month period 2016/2017 (six-month period 2015/2016: EUR 1 million).

16.2. Other Related Party Transactions

16.2.1. Relationships with Members of the Management Board and the Supervisory Board

For an overview regarding the compensation, shareholding and share-based compensation of the members of the Management Board and the Supervisory Board, see *15.2.3. "Governing Bodies — Management Board — Compensation and Other Benefits; Share Ownership"* and *15.3.4. "Governing Bodies — Supervisory Board — Compensation and Other Benefits; Share Ownership"*.

16.2.2. Dual Mandates

Some personnel connections exist between our Group and the CE Group. Three current members of the Management Board of the Company, namely Olaf Koch, Pieter C. Boone and Heiko Hutmacher, are also members of the management board of the Existing Shareholder.

They have resigned as members of the management board of the Existing Shareholder conditional upon the completion of the Demerger. In addition, Christian Baier, also current member of the Management Board, holds management functions with the Existing Shareholder until the completion of the Demerger. Furthermore, two former Management Board members, being Dr. Christoph Kämper and Christian Ziggel (who resigned as members of the Management Board on March 2, 2017), hold management functions with the Existing Shareholder until the completion of the Demerger and are expected to hold management functions with the Company after the completion of the Demerger.

In addition, thirteen current members of the Supervisory Board of the Company, being Jürgen Steinemann, Werner Klockhaus, Gwyn Burr, Mattheus P.M. (Theo) de Raad, Thomas Dommel, Florian Funck, Andreas Herwarth, Peter Küpfer, Susanne Meister, Angela Pilkmann, Fredy Raas, Xaver Schiller and Angelika Will, are also members of the supervisory board of the Existing Shareholder. Three of these current members of the Supervisory Board of the Company, being Jürgen Steinemann, Gwyn Burr, Mattheus P.M. (Theo) de Raad, have resigned as members of the supervisory board of the Existing Shareholder conditional upon the completion of the Demerger. Six of these current members of the Supervisory Board of the Company, being Werner Klockhaus, Thomas Dommel, Andreas Herwarth, Susanne Meister, Angela Pilkmann and Xaver Schiller, are employee representatives in the supervisory board of the Existing Shareholder and will automatically retire from the supervisory board of the Existing Shareholder following the completion of the Demerger as they will no longer be employees of the Existing Shareholder at that time. The other four of these current members of the Supervisory Board, being Florian Funck, Peter Küpfer, Fredy Raas and Angelika Will are expected to also be members of the supervisory board of the Existing Shareholders after the completion of the Demerger. In addition, the three former members of the Supervisory Board of the Company, being Harald Sachs, Michael Bouscheljong and Hans-Dieter Hinker, who resigned as members of the Supervisory Board in February 2017, hold management functions with the Existing Shareholder until the completion of the Demerger and are expected to hold management functions with the Company after the completion of the Demerger.

The interests of the Existing Shareholder and the Company are not necessarily always aligned, which means that conflicts of interest or potential conflicts of interest could arise for those persons holding offices at both companies at the same time or in close successions. In particular, one member who will continue being member of the Existing Shareholder's management board after completion of the Demerger will continue holding offices in the supervisory board of certain entities of MWFS Group, at least for a transitional period. Beyond such or other dual mandates, no conflicts of interest or potential conflicts of interest exist between the members of the relevant management board and the supervisory board *vis-à-vis* their respective company as far as their obligations are concerned. For further information see *15.2.3. "Governing Bodies — Management Board —Compensation and Other Benefits; Share Ownership"* and *15.3.4. "Governing Bodies —Supervisory Board* —Compensation and Other Benefits; Share Ownership". For information on Supervisory Board members who serve on the management boards of one of the main shareholder groups of the Existing Shareholder, see *15.3.3.6 "Governing Bodies — Supervisory Board — Current Members of the Supervisory Board — Dr. Florian Funck — brief biography" and 15.3.3.13. "Governing Bodies — Supervisory Board — Current Members of the Supervisory Board — Dr. Fredy Raas — brief biography"*

17. INFORMATION ON MAJOR HOLDINGS OF MWFS AG

The following table provides an overview of the major direct and indirect subsidiaries of MWFS AG:

Legal name, registered seat	Participating interest held by the Company in the respective subsidiary as of the date of the Prospectus (in %)	Field of activity	Subscribed capital as of September 30, 2016 on the IFRS balance sheet (in EUR million)[1]
	(unaudited)		
Direct subsidiaries			
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH*, Dusseldorf, Germany	0%	holding entity	0
METRO PROPERTIES GmbH & Co. KG, Dusseldorf, Germany	93%	holding entity	51
METRO Cash & Carry International GmbH**, Dusseldorf, Germany	94%	holding entity	48
MGB METRO Group Buying HK Limited, Hong Kong Special Administrative Region of the People's Republic of China	100%	service entity	6
METRO Finance B.V.**, Venlo, Netherlands	0%	group financing entity	0
METRO PROPERTIES Holding GmbH**, Dusseldorf, Germany	0%	holding entity	0
Indirect subsidiaries			
real,- SB-Warenhaus GmbH, Dusseldorf, Germany	100%	operative entity	81
METRO Cash & Carry International Holding B.V**, Amsterdam, Netherlands	94%	holding entity	117
METRO Cash & Carry Deutschland GmbH**, Dusseldorf, Germany	94%	operative entity	—
METRO Cash & Carry OOO**, Moscow, Russia	94%	operative entity	142
METRO Jingiang Cash & Carry Co., Ltd***, Shanghai, People's Republic of China	85%	operative entity	110
METRO Cash & Carry France S.A.S.**, Nanterre, France	94%	operative entity	46
MAKRO Cash & Carry CR s.r.o**, Prague, Czech Republic	71%	operative entity	19
METRO Kereskedelmi Kft.**, Budaörs, Hungary	94%	operative entity	8
MIAG Commanditaire Vennootschap (CV)**, Amsterdam, Netherlands	1%	operative entity	350
Sezam XVI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych**, Warsaw, Poland	94%	holding entity	423
METRO Leasing GmbH**, Dusseldorf, Germany	88%	holding entity	1
MIP METRO Group Intellectual Property GmbH & Co. KG**, Dusseldorf, Germany	0%	owner of intellectual properties	0
METRO Großhandelsgesellschaft mbH**, Dusseldorf, Germany	94%	operative entity	37
METRO Italia Cash and Carry S.p.A.**, San Donato Milanese, Italy	71%	operative entity	1
Makro Cash and Carry Polska S.A.**, Warsaw, Poland	94%	operative entity	60
Makro Autoservicio Mayorista S.A.U.**, Madrid, Spain	94%	operative entity	30
Metro Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi**, Istanbul, Turkey	94%	operative entity	8
MAKRO Cash & Carry Belgium NV**, Wommelgem, Belgium	94%	operative entity	172
METRO CASH & CARRY ROMANIA SRL**, Bucharest, Romania	71%	operative entity	58
METRO Distributie Nederland B.V.**, Amsterdam, Netherlands	94%	operative entity	11
METRO LOGISTICS Germany GmbH**, Dusseldorf, Germany	4%	logistic entity	1
METRO SYSTEMS GmbH**, Dusseldorf, Germany	0%	IT service provider	1

* Remaining interest to be directly or indirectly transferred by METRO AG as part of the Spin-Off.

** Remaining interest to be transferred by METRO AG as part of the Hive-Down.

*** Remaining interest of METRO AG (5%) to be indirectly transferred as part of the Hive-Down.

[1] Foreign currencies are converted using the relevant exchange rate as of September 30, 2016, as published by the ECB on http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html.

18. TAXATION IN GERMANY

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares both by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany) and by a shareholder without a tax domicile in Germany. In addition, the following section sets out the key German tax principles for the shareholders of the Company that arise in connection with the Spin-Off. The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for shareholders. The information is based on the tax laws in force in Germany as of the date of the Prospectus (and their interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change – sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual shareholders. Shareholders are therefore advised to consult their tax advisers regarding the tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisers are in a position to take the specific tax-relevant circumstances of individual shareholders into due account.

18.1. Taxation of the Company

18.1.1. Corporate Income Tax

As a rule, the taxable profits generated by corporations with their seat or place of management in Germany are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (*i.e.*, 15.825% in total).

In general, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporations are effectively 95% exempt from corporate income tax (including solidarity surcharge), as 5% of such receipts are treated as non-deductible business expenses, and are therefore subject to corporate income tax (and solidarity surcharge thereon). However, dividends that the Company receives from domestic or foreign corporations, are not exempt from corporate income tax (including solidarity surcharge thereon), if the Company only holds a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (hereinafter, a "**Portfolio Participation**" (*Streubesitzbeteiligung*)). Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the Company only on a pro rata basis at the ratio of the interest share of the Company in the assets of the relevant partnership.

The Company's gains from the disposal of shares in a domestic or foreign corporation are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge thereon), regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge thereon) at a rate of 15.825%. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

18.1.2. Trade Tax

Additionally, German corporations are also usually subject to trade tax (*Gewerbesteuer*) with respect to their taxable trade profit (*Gewerbeertrag*) generated at their permanent

establishments maintained in Germany (*inländische Betriebstätten*). The taxable trade profit corresponds in principle with the profit as determined for corporate income tax purposes. However, certain add-backs (including, for instance, certain amounts of lease payments and interest expenses) and deductions might result in a lower or higher tax base for trade tax purposes. Trade tax generally ranges from approximately 7% to 18.55% of the taxable trade profit depending on the municipal trade tax multiplier (*Hebesatz*) applied by the relevant municipal authority in which the Company maintains its permanent establishments. When determining the income of the corporation that is subject to corporate income tax, trade tax may not be deducted as a business expense. In principle, profits derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax (as described above). Contrary to this, profit shares derived from domestic or foreign corporations are only effectively 95% exempt from trade tax, if the Company either held an interest of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period or – in the case of participations in foreign corporations – if the Company has been holding a stake of this size continuously since the beginning of such period (trade tax participation privilege (*gewerbesteuerliches Schachtelprivileg*)). If the participation is held in a foreign corporation within the meaning of Article 2 of the Council Directive 2011/96/EU of November 30, 2011 (the "**Parent-Subsidiary Directive**") which is tax resident in another member state of the European Union, the trade tax participation privilege becomes available, if the Company held at least 10% in the share capital of the foreign corporation at the beginning of the relevant assessment period. Otherwise, the profit shares will be subject to trade tax (at the above-mentioned rates) in full. Subject to additional limitations, the trade tax participation privilege also applies to dividends paid by other foreign corporations.

18.1.3. Restrictions on Deductions of Interest Expenses

The provisions of the so-called interest barrier (*Zinsschranke*) limit the degree to which interest expenses are deductible from the tax base. Accordingly, as a rule, interest expenses exceeding interest income are deductible in an amount of up to 30% of the EBITDA as determined for tax purposes in a given financial year, although there are exceptions to this rule. Non-deductible interest expenses must be carried forward to subsequent financial years. EBITDA that has not been fully utilized can, under certain circumstances, be carried forward to subsequent years (for up to five years) and may be deducted subject to the limitations set out above. Further restrictions may apply to interest paid on shareholder loans. For trade tax purposes, 25% of the interest expenses deductible after applying the interest barrier are added when calculating the taxable trade profit. Therefore, for trade tax purposes, the amount of deductible interest expenses is only 75% of the interest expenses deductible for purposes of corporate income tax.

18.1.4. Tax Losses

Under certain conditions, negative income of the Company that has not been offset by current year positive income can be carried back or forward into other assessment periods. Loss carry-backs (*Verlustrückträge*) to the immediately preceding assessment period are only permissible up to EUR 1 million for corporate income tax but not for trade tax purposes. Negative income that has not been offset and not carried back will be carried forward to subsequent assessment periods. Such tax loss carry forward (*Verlustvorträge*) can be offset against positive income of subsequent assessment periods in full up to an amount of EUR 1 million of the relevant positive income for corporate income and trade tax purposes. If the taxable income or the taxable trade profit exceeds this amount, only 60% of the excess amount can be offset against tax loss carry forward. The remaining 40% of the excess amount is subject to tax in any case (minimum taxation – *Mindestbesteuerung*). Unused tax loss carry forward can, as a rule, be carried forward indefinitely and can be deducted pursuant to the rules set out regarding future taxable income or taxable trade profit.

18.1.5. Forfeiture of Unutilized Losses and Interest Carry-Forwards

Unutilized losses and interest carry-forwards are forfeited in full and can no longer be deducted if, within a period of five years, more than 50% of the Company's share capital or voting rights are transferred either directly or indirectly to an acquiring party or its related

parties or a group of acquirers with aligned interests or if a comparable situation arises (harmful acquisition of shares (*schädlicher Beteiligungserwerb*)). If more than 25% and not more than 50% of the Company's share capital or voting rights are transferred or another harmful acquisition of shares takes place within the meaning of the foregoing sentence, unutilized losses and interest carry-forwards will only be forfeited pro rata to the transferred percentage (the "**Change of Control Rules**"). The foregoing limitations do not apply if the Company's share capital or voting rights are transferred to acquirers belonging to the same group of companies described in greater detail in the relevant statutory provisions, to which also the Company belongs (group clause (*Konzernklausel*)) or to the extent the losses do not exceed the pro rata (acquisition of more than 25% to 50% interest) or entire (acquisition of more than 50% interest) taxable hidden reserves in Germany (exemption provision (*Verschonungsregelung*)). In late 2016, an additional exemption from the Change of Control Rules for unutilized losses and interest carry forwards was enacted with an effective date for the harmful acquisition of shares after December 31, 2015. Basically, the application of the Change of Control Rules can be suspended upon application of the taxpayer provided that the company has been continuously operating the same business operations since its establishment or at least within the past three tax assessment periods preceding the tax assessment period of the harmful acquisition of shares and that none of pre-determined events has occurred during this period until the tax assessment period, in which the harmful acquisition of shares took place. Additional exemptions are applicable. In a recent decision the German Federal Constitutional Court (*Bundesverfassungsgericht*) ruled that the Change of Control Rules in their versions applicable from 2008 until 2015 as regards a *pro rata* forfeiture and share transfer of more than 25% up to 50% infringes constitutional law and that the legislator must enact until December 31, 2018 at the latest a new respective provision effective as of January 1, 2008, which is in accordance with constitutional law. If the legislator does not adhere to the decision, the respective provision will be void and inapplicable as of January 1, 2019 with retroactive effect as of January 1, 2008 for all open tax assessment periods. The ruling remains silent on whether or not the Change of Control Rules are compliant with constitutional law to the extent more than 50% of the subscribed capital or voting rights are transferred. However, this question is dealt with in cases still pending with the Federal Fiscal Court (*Bundesfinanzhof*). Further, the Federal Constitutional Court did not decide whether the Change of Control Rules as applicable since 2016 comply with the constitutional principle of equality. It is yet unclear whether and how the legislator will react.

18.2. Taxation of Shareholders

18.2.1. Tax Implications upon the Spin-Off

18.2.1.1. Tax Implications for Shareholders with a Tax Domicile in Germany

For shareholders with a tax domicile in Germany, the tax implications of the Spin-Off depend on whether the shares in the Existing Shareholder are held as non-business assets or business assets.

18.2.1.1.1. Shares Held as Non-Business Assets

For shareholders whose shares in the Existing Shareholder are held as non-business assets, the Spin-Off does not constitute a disposal of their METRO shares for tax purposes and no taxable capital gain is being realized if (i) the shareholder does not have a Qualified Holding (see below *18.2.3.2.1 "— Taxation of Dividends — Taxation of Dividends of Shareholders with a Tax Domicile in Germany — Shares Held as Non-Business Assets"*) in the Existing Shareholder and (ii) the right of the Federal Republic of Germany is not excluded or limited regarding the taxation of profits from the disposal of shares in the Company (hereinafter the "**tax neutral share exchange**" (*steuerneutraler Aktientausch*)).

In case of a tax neutral share exchange, the Company shares granted to the shareholders at the time of the Spin-Off proportionately replace the METRO shares for tax purposes and, hence, the tax characteristics of the METRO shares (for example, holding periods) are transferred to the newly granted Company shares (hereinafter, the "**footstep theory**" (*Fußstapfentheorie*)). As a consequence, the Spin-Off does not lead to a realization of capital gains and no withholding tax is to be withheld or paid. Any expenses economically related to the Spin-Off are non-deductible.

The allocation of the acquisition costs between the METRO shares after the Spin-Off, on the one hand, and the new Company shares, on the other hand, is generally to be based on the allocation ratio set forth in the Demerger Agreement. Shareholders are advised to seek their own professional advice in relation to the fact that the thus determined acquisition costs of the shares may not reflect the *pro rata* proportionate value of the shares.

To the extent that METRO shares were acquired prior to January 1, 2009 and, hence, could be disposed of tax-free in the meantime, this characteristic should also be transferred to the Company shares granted in the course of the Spin-Off.

In case of a Qualified Holding in the METRO shares, the principles outlined below for shares held as business assets (see *18.2.1.1.2 "— Shares Held as Business Assets"*) apply accordingly.

18.2.1.1.2. Shares Held as Business Assets

If the METRO shares are held as business assets, the principles of a tax neutral share exchange do not apply. Rather, upon the Spin-Off, the METRO shares are generally deemed to have been disposed of *pro rata* at their fair market value (*gemeiner Wert*), and the shares in the Company replacing them are deemed to have been acquired at this *pro rata* value. The taxable capital gain is equal to the difference between the *pro rata* tax book value and the *pro rata* fair market value of the METRO shares at the time of entry of the Spin-Off in the commercial register of the Existing Shareholder.

The shares in the Company to be granted to the shareholders in consideration of the Spin-Off are deemed for tax purposes to have been newly acquired and, hence, the footstep theory is not applicable.

Capital gains deriving from the Spin-Off will be taxed in accordance with the principles applicable for capital gains deriving from the disposal of Company shares (see below in *18.2.4.1.2 "— Taxation of Capital Gains — Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany — Shares Held as Business Assets"*).

However, upon application of the individual shareholder, the realization of a taxable capital gain can be avoided if the assets to be transferred and the assets remaining with the transferring company each constitute a business unit for tax purposes (*Teilbetrieb*) and certain further requirements are met. In this case, the footstep theory would be applicable and the shareholder would be able to recognize the Company share at the *pro rata* tax book value of the METRO shares (see *18.2.1.1.2. "— Shares Held as Business Assets"* above). The allocation of the acquisition costs or, as the case may be, the tax book value between the METRO shares after the Spin-Off, on the one hand, and the new Company shares, on the other hand, may generally be based on the allocation ratio set forth in the Demerger Agreement. Shareholders are strongly advised to seek their own professional advice in relation to the application of the footstep theory and the allocation of acquisition costs or, as the case may be, the tax book value.

18.2.1.2. Tax Implications for Shareholders without a Tax Domicile in Germany

To the extent that the shareholder has no tax domicile in Germany, any capital gains deriving from the Spin-Off are only subject to German tax if the shareholder has a Qualified Holding in the METRO shares or the METRO shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed. In these cases the principles for shares held as business assets outlined above in *18.2.1.1.2 "— Tax Implications for Shareholders with a Tax Domicile in Germany — Shares Held as Business Assets"* and below in *18.2.4.1.2 "— Taxation of Capital Gains — Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany — Shares Held as Business Assets"* apply *mutatis mutandis*.

18.2.2. Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares (see *18.2.3*. "*— Taxation of Dividends*") and taxation in connection with the sale of shares (see *18.2.4* "*— Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares (see *18.2.6*. "*— Inheritance and Gift Tax*").

18.2.3. Taxation of Dividends

18.2.3.1. Withholding Tax

As a general rule, dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 Körperschaftsteuergesetz* ("**KStG**")); in this case no withholding tax will be withheld. However, these payments will reduce the acquisition costs or, as the case may be, the tax book values of the shares and may, consequently, increase a taxable gain upon the disposal of the shares or, to the extent that such payments exceed the individual acquisition costs or, as the case may be, the tax book values of the shares, lead to a taxable gain itself (see below *18.2.4 "— Taxation of Capital Gains"*). The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting.

If shares – as it is the case with the shares in the Company – are admitted for collective custody by a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is withheld and passed on for the account of the shareholders (i) by the domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends to the shareholder or disburses the dividends to a foreign agent, (ii) by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*) or (iii) by the Company itself if and to the extent shares held in collective custody (*Sammelverwahrung*) by the central securities depository (*Wertpapiersammelbank*) are treated as so-called stock being held separately (*abgesetzte Bestände*) (hereinafter in all cases, the "**Dividend Paying Agent**"). Aside from the case of stock being held separately, the Company does not assume any responsibility for the withholding of the withholding tax.

In general, the withholding tax must be withheld without regard as to whether and to which extent the dividend is exempt from tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad.

However, withholding tax on dividends distributed to a company domiciled in another EU member state within the meaning of Article 2 of the Parent-Subsidiary Directive, may be refunded upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another EU member state or to a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. Further requirements for the refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least 10% of the Company's registered share capital for one year and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern, Hauptdienstsitz Bonn-Beuel*, An der Küppe 1, D-53225 Bonn, Germany). If, in the case of a holding of at least 10% of the Company's registered share capital, shares held in collective custody (*Sammelverwahrung*) by the German central securities depository (*Wertpapiersammelbank*) Clearstream Banking AG are treated as so-called stock being held separately (*abgesetzte Bestände*), the German tax authorities will not object when the main paying agent (*Hauptzahlstelle*) of the Company upon presentation of an exemption certificate (*Freistellungsbescheinigung*) and of a proof that this stock has been held separately, disburses the dividend without deducting withholding tax. An exemption certificate can be granted upon application (using official application forms) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)).

With respect to distributions made to other shareholders without a tax domicile in Germany, the withholding tax rate can be reduced in accordance with the double taxation treaty if Germany has entered into a double taxation treaty with the respective shareholder's country of residence and if the shares neither form part of the assets of a permanent establishment or a

fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax reduction is generally granted by the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15%) is refunded by the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)).

Forms for the reimbursement and exemption from the withholding at source procedure are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address) or online at http://www.bzst.bund.de) as well as German embassies and consulates.

If dividends are distributed to corporations subject to non-resident taxation in Germany, that means corporations with no registered office or place of management in Germany, and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent-Subsidiary Directive or the relevant double taxation treaty are fulfilled. The relevant application forms are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)).

The aforementioned possibilities for an exemption from or a refund of withholding tax depend on certain other conditions being met (particularly the fulfilment of so-called substance requirements (*Substanzerfordernisse*)).

Pursuant to the Act to Adopt the Amendments to the EU Mutual Assistance Directive and to Implement Measures against the Reduction and Shifting of Profits (*Gesetz zur Umsetzung der Änderungen der EU-Amtshilferichtlinie und von weiteren Maßnahmen gegen Gewinnkürzungen und –verlagerungen*) dated December 20, 2016 (BGBl. I 2016, 3000), the aforementioned exemptions are restricted if (i) the applicable double taxation treaty provides for a tax reduction leading to an applicable tax rate of less than 15% and (ii) the shareholder is not a corporation that directly holds at least 10% in the equity capital of the Company and is subject to tax on its income and profits in its state of residence without being exempt. If the aforementioned criteria are met, a relief from or a refund of withholding tax is only possible if the shareholder (i) has been the economic owner of the shares for a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date (the "**Minimum Holding Period**" (*Mindesthaltedauer*)), (ii) has been exposed (if taking into account counter claims and claims against related parties) to at least 70% of the risk resulting from a decrease-in-value of the shares during the Minimum Holding Period (the minimum change-in-value risk (*Mindestwertänderungsrisiko*)) and (iii) is not obliged to forward (*vergüten*) these dividends, directly or indirectly, in total or to more than 50% to another person (the tests under (i) to (iii) above are together described as the "**Minimum Risk Test**"). As an exception to this rule, the Minimum Risk Test does not apply if the shareholder has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. These rules apply as from January 1, 2017. Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

18.2.3.2. Taxation of Dividends of Shareholders with a Tax Domicile in Germany

18.2.3.2.1. Shares Held as Non-Business Assets

Dividends distributed to shareholders with a tax domicile in Germany whose shares are held as non-business assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25% plus solidarity surcharge of 5.5% thereon (that means 26.375% in total plus church tax, if applicable). The income tax owed for this dividend income is in general satisfied by the withholding tax withheld by the Dividend Paying Agent (flat-rate withholding tax (*Abgeltungsteuer*)). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump-sum deduction (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for jointly assessed shareholders). However, the shareholder may request that his capital investment income (including dividends) along with his other taxable income be subject to progressive income tax rate

(instead of the uniform tax rate for capital investment income) if this results in a lower tax burden. In this case, income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump-sum deduction.

The withholding tax will generally be credited against the progressive income tax and any excess amount will be refunded. However, pursuant to the Act to Reform German Investment Taxation (*Investmentsteuerreformgesetz,* dated July 19, 2016, BGBl. I 2016, 1730), the full amount of withholding tax levied on the dividends is only creditable if the shareholder meets the Minimum Risk Test. In case that the shareholder does not meet the Minimum Risk Test, three fifths of the withholding tax levied on the dividends is not creditable, but may, upon application, be deducted when determining the shareholder's taxable income. Shareholders who do not meet the Minimum Risk Test but who have, nevertheless, not suffered a withholding tax deduction on the dividends (for example, due to the presentation of a non-assessment certificate) or have already obtained a refund of the taxes withheld, are obliged to notify their competent tax office thereof and to make the payment of an amount corresponding to the amount which would otherwise be withheld. As an exception to this rule, the Minimum Holding Period (and, if applicable, a corresponding notification and (re-)payment obligation) does not apply to an investor if either (i) his or her amount of dividend income on shares (including shares of the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of EUR 20,000 in a given tax assessment period or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. These rules apply retroactively as from January 1, 2016. Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

Exceptions from the flat-rate withholding tax apply upon application for shareholders who have a shareholding of at least 25% in the Company and for shareholders who have a shareholding of at least 1% in the Company and are able to entrepreneurially influence the business activities of the company through a professional work for the Company (the latter alternative is applicable for tax assessment periods from 2017 onwards). In this situation, the tax treatment described below at *18.2.3.2.2. "— Shares Held as Business Assets — Sole Proprietors"* applies.

The church tax in the case of taxpayers subject to church tax will be withheld by way of an automated procedure and remitted to the religious community levying the tax. Church tax withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the withholding tax (including the solidarity surcharge) by 26.375% of the church tax to be withheld on the dividends. Where shareholders have lodged a timely written objection with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)) (so-called blocking notice (*Sperrvermerk*)) as regards the automated retrieval of data on their religious affiliation, church tax will not be automatically deducted. In this case, a shareholder subject to church tax is obliged to declare the dividends in his income tax return. The church tax on the dividends is then levied by way of a tax assessment.

Shareholders who are subject to an unlimited tax liability in Germany and hold their shares as non-business assets may be paid the dividends without deduction of withholding tax if certain prerequisites are met, in particular, if the shareholder has provided a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption declaration (*Freistellungsauftrag*) and the exempt amount indicated therein has not yet been exhausted.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do – contrary to the above – not form part of the shareholder's taxable income. If the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceeds the shareholder's acquisition costs, negative acquisition costs will arise which can result in a higher capital gain in case of the shares' disposal (see below, *18.2.4. "— Taxation of Capital Gains*"). This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal directly or indirectly held at least 1% of

the share capital of the Company (a "**Qualified Holding**") and (ii) the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceeds the acquisition costs of the shares. In such a case of a Qualified Holding, a dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceeds the acquisition costs of the shares. In this case the taxation corresponds with the description in the section *18.2.4.1.1 "— Taxation of Capital Gains — Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany — Shares Held as Non-Business Assets"* made with regard to shareholders maintaining a Qualified Holding.

18.2.3.2.2. Shares Held as Business Assets

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the flat-rate withholding tax. However, dividends are generally subject to the withholding tax on capital investment income of 25% plus 5.5% solidarity surcharge thereon, resulting in an aggregate tax rate of 26.375%, plus church tax for individuals, if applicable. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid by the Dividend Paying Agent will generally be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or refunded in the amount of any excess. Pursuant to the Act to Reform German Investment Taxation (*Investmentsteuerreformgesetz*), it is only possible for a taxpayer to fully credit the withholding tax levied on the dividends if certain conditions are met (see *18.2.3.2.1*. "*— Shares Held as Non-Business Assets*" above). The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship).

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceed the acquisition costs of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in the section 18.2.4.1.2. "*— Taxation of Capital Gains*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in case of a corporation this is not undisputed).

(1) *Corporations*

If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general effectively 95% exempt from corporate income tax and the solidarity surcharge. 5% of the dividends are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a total tax rate of 15.825%. In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends are not exempt from corporate income tax (including solidarity surcharge thereon), if the shareholder only holds a Portfolio Participation at the beginning of the calendar year. Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the requirements of the trade tax participation privilege are fulfilled. In this latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be a non-deductible business expense (amounting to 5% of the dividend). Trade tax ranges from approximately 7% to 18.55% of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority.

(2) *Sole Proprietors*

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5% (plus church tax, if applicable), so-called partial income method (*Teileinkünfteverfahren*). Only 60% of the business expenses economically related to the dividends are tax-deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the prerequisites of the trade tax participation privilege are fulfilled. In this latter case, the net amount of dividends, *i.e.*, after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

(3) *Partnerships*

If the shareholder is a trading or deemed trading partnership (co-entrepreneurship) with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see above under *"— Corporations"*). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see above under "*— Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, the dividends are generally subject to trade tax in the full amount at the partnership level if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. Due to a lack of case law and administrative guidance, it is unclear how the rules for the taxation of dividends from Portfolio Participations (see above under *"— Corporations"*) might impact the trade tax treatment at the level of the partnership. Shareholders are strongly recommended to consult their tax advisors.

18.2.3.3. Taxation of Dividends of Shareholders without a Tax Domicile in Germany

Shareholders without a tax domicile in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see also, *18.2.3.2.2.* "*— Taxation of Dividends of Shareholders with a Tax Domicile in Germany — Shares Held as Business Assets*"). The withholding tax (including the solidarity surcharge) withheld and passed on will generally be credited against the income or corporate income tax liability or refunded in the amount of any excess. Pursuant to the Act to Reform German Investment Taxation, it is only possible for a taxpayer to fully credit the withholding tax levied on the dividends if certain conditions are met (see also, *18.2.3.2.1.* "*— Taxation of Dividends of Shareholders with a Tax Domicile in Germany — Shares Held as Non-Business Assets*" above).

In all other cases, any tax liability in Germany for dividends received by shareholders resident out-side of Germany will be discharged through the withholding of the tax on capital investment income at a rate of 25% plus 5.5% solidarity surcharge thereon (resulting in an aggregate withholding tax rate of 26.375%). Subject to certain requirements, shareholders who are corporations may apply for a refund of the tax on capital investment income insofar as this exceeds 15% plus 5.5% solidarity surcharge thereon (see above, *18.2.3.1. "— Withholding Tax"*).

Where dividends are paid to a corporation domiciled in another EU Member State within the meaning of Article 3(1)(a) of the Parent-Subsidiary Directive – which among other things, is

conditional on a direct participation of 10% or more in the share capital of the Company – the tax on capital investment income withheld will be refunded upon application, provided that certain requirements are met. The same applies where the dividends are distributed to a permanent establishment of such a corporation or of a German parent company if this permanent establishment is located in another EU Member State and the participation in the Company is actually part of the permanent establishment's business assets (see above, *18.2.3.1. "— Withholding Tax"*).

The tax on capital investment income on distributions to other shareholders resident outside of Germany may be reduced in accordance with a double taxation treaty providing for a lower dividend withholding tax rate if Germany has entered into a double taxation treaty with the shareholder's country of residence and if the shares are not held as part of the assets of a permanent establishment or a fixed place of business in Germany or as business assets for which a permanent representative has been appointed in Germany. The reduction in tax on capital investment income is generally granted in a manner whereby the difference between the withheld tax on capital investment income, including the solidarity surcharge, and the tax on capital investment income actually owed under the applicable double taxation treaty (usually 15%) is refunded by the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (address see above) upon application (using an official pre-printed form). Forms for the refund procedure are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (under above-named address) as well as at German embassies and consulates (see above, *18.2.3.1. "— Withholding Tax"*).

The refund of tax on capital investment income pursuant to the Parent-Subsidiary Directive and the aforementioned option for a refund of the tax on capital investment income under a double taxation treaty depend on whether certain additional prerequisites (in particular so-called substance requirements) are met (see above, *18.2.3.1. "— Withholding Tax"*).

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) are generally not taxable in Germany.

18.2.4. Taxation of Capital Gains

18.2.4.1. Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

18.2.4.1.1. Shares Held as Non-Business Assets

Gains on the disposal of shares acquired after September 30, 2008 by a shareholder with a tax domicile in Germany and held as non-business assets are generally – regardless of the holding period – subject to a uniform tax rate on capital investment income in Germany (25% plus the solidarity surcharge of 5.5% thereon, *i.e.*, 26.375% in total plus any church tax if applicable).

The taxable capital gain is equal to the difference between (a) the proceeds of the disposal and (b) the acquisition costs of the shares and the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) exceed the acquisition costs, negative acquisition costs – which can increase a capital gain – can arise in case of shareholders, whose shares are held as non-business assets and do not qualify as a Qualified Holding.

Only an annual lump-sum deduction of EUR 801 (EUR 1,602 for jointly assessed shareholders) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses from the disposal of shares may only be offset against profits from capital investments arising from the disposal of the Company's shares or other shares in stock corporations during the same assessment period or future assessment periods.

If the shares are held in custody or administered by a domestic credit or financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (each a "**Domestic Paying Agent**"), the tax on the capital gains will in general be satisfied by

the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge) on the capital gain and transferring it to the tax authority for the account of the seller. The church tax deduction for capital gains is performed by way of standardized tax withholding procedure by the Domestic Paying Agent withholding such tax. The principles outlined above for church tax on dividend income (see *18.2.3.2.1. "— Taxation of Dividends — Taxation of Dividends of Shareholders with a Tax Domicile in Germany — Shares Held as Non-Business Assets*") apply accordingly.

The shareholder can apply for his total capital investment income, together with his other taxable income, to be subject to progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability. In this case, the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded. Limitations on offsetting losses are applicable. Further, income-related expenses are non-deductible, except for the annual lump-sum deduction. Furthermore, the limitations on offsetting losses are also applicable under the income tax assessment.

Shareholders who are subject to unlimited tax liability in Germany and hold their shares as non-business assets may be paid the capital gains without deduction of tax on capital investment income and solidarity surcharge if certain prerequisites are met, particularly if the shareholder has provided a non-assessment certificate or an exemption declaration and the exempt amount indicated therein has not yet been exhausted.

If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

In case of a Qualified Holding, the capital gain deriving from the disposal of shares is not subject to the flat-rate withholding tax but to the progressive income tax regime. In this case the partial income method applies, which means that only 60% of the capital gains are subject to tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his capital gains in his income tax returns. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the shareholder's income tax on his tax assessment (including the solidarity surcharge and any church tax if applicable) or refunded in the amount of any excess.

18.2.4.1.2. Shares Held as Business Assets

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to uniform withholding tax. Withholding tax must only be withheld in the case of a Domestic Paying Agent. Subject to certain prerequisites, the tax on capital investment income withheld and remitted to the tax authorities will be imputed towards the shareholder's income tax liability and any excess amount paid will be refunded. Subject to certain requirements, however, the Domestic Paying Agent may refrain from deducting tax on capital investment income if (i) the shareholder is a corporation subject to unlimited tax liability in Germany, an association of individuals or an estate or (ii) the shares form part of the business assets of a business operation in Germany and the shareholders declares such to the Domestic Paying Agent in the officially prescribed form. Should the Domestic Paying Agent nonetheless have withheld tax on capital investment income, the tax withheld and remitted to the tax authorities (including solidarity surcharge, and church tax, if applicable) will be imputed towards the shareholder's personal income tax or corporate income tax liability and any excess amount paid will be refunded.

The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) reduce the original acquisition costs or, as the case may be, the tax book values of the shares. In case of a disposal, a higher taxable capital gain can arise herefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

(1) *Corporations*

If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are, in general, effectively 95% exempt from corporate income tax (including the solidarity surcharge) and trade tax, currently, regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the respective municipal authority, generally between approximately 7% and 18.55%). As a rule, losses on disposals and other profit reductions in connection with shares (for example, from a write down) cannot be deducted as business expenses. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

(2) *Sole Proprietors*

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the gains on the disposal of the shares are subject to progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5%, and, if applicable, church tax (partial-income method). Only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the gains of the disposal of the shares are, in addition, subject to trade tax.

Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

(3) *Partnerships*

If the shareholder is a trading or deemed trading partnership (co-entrepreneurship) with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see also *"— Corporations"* above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial-income method, see above under "— *Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

In addition, gains on the disposal of shares are subject to trade tax at the level of the partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: Generally, at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60% in the context of general limitations if they are attributable to the profit share of an individual.

If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

18.2.4.2. Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains derived by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

In the case of a Qualified Holding, 5% of the gains on the disposal of the shares are currently in general subject to corporate income tax plus the solidarity surcharge, if the shareholder is a corporation. If the shareholder is a private individual, only 60% of the gains on the disposal of the shares are subject to progressive income tax plus the solidarity surcharge thereon and church tax, if applicable (partial-income method). However, most double taxation treaties provide for a partial or full relief from German taxation and assign the right of taxation to the shareholder's country of residence. Where a Domestic Paying Agent is involved, withholding tax on capital gains is generally levied at a rate of 25% (plus 5.5% solidarity surcharge thereon, resulting in an aggregate withholding tax rate of 26.375%). However, if (i) the capital gains are taxable in Germany (see 18.2.4.1. "*— Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany*") and the shares are not held through a permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany and (ii) a Domestic Paying Agent is involved, then, pursuant to a tax decree issued by the German Federal Ministry of Finance on January 18, 2016, the Domestic Paying Agent will not be required to withhold the *tax* on capital investment income (plus solidarity surcharge thereon) upon production of a certification of residence (*Ansässigkeitsbescheinigung*). In the case of a Qualified Holding, the capital gains must be declared in a tax return and will be (partially) taxed via an assessment procedure if no exemption under a double taxation treaty or under domestic law applies.

With regard to gains or losses on the disposal of shares belonging to a domestic permanent establishment or fixed place of business, or which are part of business assets for which a permanent representative in Germany has been appointed, the above-mentioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply *mutatis mutandis* (see *18.2.4.1.2.* "*— Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany — Shares Held as Business Assets*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on an official form that the shares form part of domestic business assets and certain other requirements are met.

18.2.5. Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If credit or financial services institutions (*Kredit- oder Finanzdienstleistungsinstitute*) hold or sell shares that are allocable to their trading book pursuant to Section 1a of the German Banking Act (*Gesetz über das Kreditwesen*), they will neither be able to use the partial income method nor be entitled to the effective 95% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares acquired by financial institutions in the meaning of the German Banking Act for the purpose of generating profits from short-term proprietary trading. The preceding sentence applies accordingly for shares held in a permanent establishment in Germany by financial institutions, financial service providers, and finance companies tax resident in another EU member state or in other signatory states of the Treaty on the European Economic Area. In late 2016, new provisions on the exclusions from the participation exemption/partial income method were enacted. The above mentioned exclusions from the participation exemption/partial income method for income tax and trade tax shall only apply to shares which, in the case of credit institutions and financial services institutions, are allocable to the trading portfolio (*Handelsbestand*) within the meaning of the German Commercial Code (*Handelsgesetzbuch*). In case of finance companies, the aforementioned exclusions of (partial) tax exemptions shall only apply to shares held by finance companies where (i) credit institutions or financial services institutions hold, directly or indirectly, a participation of more than 50% in the respective finance company and (ii) where the finance company must disclose the shares as current assets (*Umlaufvermögen*) as of the time they are initially recognized as business assets. These new rules are effective for the fiscal year 2017 or participations acquired after December 31, 2016, respectively.

Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive applies.

18.2.6. Inheritance and Gift Tax

The transfer of shares to another person *mortis causa* or by way of gift is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the one or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five continuous years outside of Germany without maintaining a place of residence in Germany, or

(ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed, or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

18.2.7. Other Taxes

No German capital transfer taxes, value-added-tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax. According to the Draft Directive, the FTT shall be implemented in eleven EU member states (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia). The FTT as provided under the Draft Directive was originally scheduled to be applicable as of January 1, 2014. In 2015, Estonia stated that it will not participate in implementing the proposed FTT.

The proposed FTT has a very broad scope and could, if introduced in the form of the proposal apply to certain dealings in the Shares in certain circumstances.

Ten EU member states (including Germany; the "**Participating Member States**") had announced that they intend to reach an agreement with regard to the FTT by the end of June 2016, focusing initially on the taxation of shares and certain derivatives, which however did not take place. The FTT has not been implemented yet. As to the further implementation of any FTT there is currently no detailed plan or timetable available.

Nevertheless the FTT remains subject to negotiation between the Participating Member States and was (and most probably will be) the subject of legal challenge. It may still be adopted and be altered prior to its adoption, the timing of which remains unclear. Moreover, once any directive has been adopted (the "**Directive**"), it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself. Finally, additional EU member states may decide to participate in or to dismiss the implementation. The participation of at least nine EU member states is necessary to enact a Directive without the participation of all EU member states in the so called enhanced cooperation legislation procedure.

Prospective Shareholders should consult their own tax advisers in relation to the consequences of the FTT.

19. TAXATION IN LUXEMBOURG

The following is a general description of certain Luxembourg tax considerations relating to the purchasing, holding and disposing of the Company's shares. This description does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase shares of the Company. Prospective purchasers should consult their own tax advisers as to the applicable tax consequences of the purchase and the ownership of shares, based on their particular circumstances. No conclusions should be drawn with respect to issues not specifically addressed by this description. This description is based on the laws, regulations and applicable tax treaties as in effect in Luxembourg on the date hereof, all of which are subject to change, possibly with retroactive effect. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers should therefore consult their own advisers as to the effects of any local laws, including Luxembourg tax law, to which they may be subject.

The residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

19.1. Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Resident Taxpayers

19.1.1. Individual Holders of Shares

Dividends derived from shares of the Company by resident individuals, who act in the course of the management of either their private wealth or their professional or business activity, are subject to income tax at progressive ordinary rates (with a current maximum marginal rate of 42% applicable for the part of the income exceeding EUR 200,004 (EUR 400,008 for couples assessed jointly)). For solidarity surcharge purposes, such income tax rate is increased by 7% for income not exceeding EUR 150,000 for single taxpayers and EUR 300,000 for couples taxed jointly, and by 9% for income above these amounts. Under current Luxembourg tax laws, 50% of the gross amount of dividends derived from the Company's shares will be exempt from Luxembourg income tax. In addition, a total lump-sum of EUR 1,500 (which is doubled for taxpayers who are jointly taxable) is deductible from the total of dividends received during the tax year.

Capital gains realized on the disposal of the Company's shares by resident individuals, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. A disposal may include a sale, an exchange, a contribution or any other kind of alienation of shares. Capital gains are deemed to be speculative if the shares are disposed within six months after their acquisition or if their disposal precedes their acquisition. Speculative gains realized during the year that are equal to, or are greater than, EUR 500 are subject to income tax at ordinary rates. A participation is deemed to be substantial where a resident individual holder of shares holds, either alone or together with his spouse, his partner and/or minor children, directly or indirectly, at any time within the five years preceding the disposal, more than 10% of share capital of the Company. A holder of shares is also deemed to alienate a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition thereof may benefit from an allowance of up to EUR 50,000 (which is doubled for taxpayers

who are jointly taxable). Such allowance is reduced by the amount of allowances granted during the ten-year period preceding the realization of the capital gain. They are subject to income tax according to the half-global rate method, (*i.e.*, the average rate applicable to total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation).

Capital gains realized on the disposal of the Company's shares by resident individual holders of shares, who act in the course of their professional or business activity, are subject to income tax at ordinary rates and to municipal business tax.

19.1.2. Luxembourg Resident Corporate Holders of Shares

Dividends derived from the Company's shares by a Luxembourg fully-taxable resident company are subject to corporation taxes at a current combined rate of 27.08% (in Luxembourg City for 2017 and 26.01% for 2018), unless the conditions of the Luxembourg participation exemption regime, as described below, are satisfied. In this regard, a tax credit is generally granted for withholding taxes levied at source in Germany, if any, within the limit of the tax payable in Luxembourg on such income, whereby any excess withholding tax is not refundable. Under current Luxembourg tax laws, 50% of the gross amount of dividends derived from the Company's shares will be exempt from Luxembourg income tax in the case where the conditions of the Luxembourg participation exemption regime are not met.

Under the Luxembourg participation exemption regime, dividends derived from the Company's shares by a fully-taxable Luxembourg collective entity (*organisme à caractère collectif*, inter alia a capital company) may be exempt from corporation taxes if, cumulatively, (i) it has held or commits itself to hold the shares for an uninterrupted period of at least twelve months, (ii) during this uninterrupted period of twelve months the shares represent a participation of a least 10% in the share capital of the Company or the shares were acquired for an acquisition price of at least EUR 1.2 million, (iii) the dividend is put at the disposal at the time conditions (i) and (ii) above are met. Liquidation proceeds are, under Luxembourg domestic law, assimilated to a received dividend and may be exempt under the same conditions. Shares held through a fiscally transparent entity are considered as being a direct participation proportional to the percentage held in the net assets of the transparent entity.

Capital gains realized by a Luxembourg fully-taxable collective entity (*organisme à caractère collectif*) on the shares are subject to corporation taxes at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied.

Under the Luxembourg participation exemption regime, capital gains realized on the Company's shares by a Luxembourg fully-taxable collective entity (*organisme à caractère collectif*) may be exempt from corporation taxes if, cumulatively, (i) it has held or commits itself to hold the shares for an uninterrupted period of at least twelve months, (ii) during this uninterrupted period of twelve months the shares represent a participation of a least 10% in the share capital of the Company or the shares were acquired for an acquisition price of at least EUR 6 million. Shares held through a fiscally transparent entity are considered as being a direct participation proportional to the percentage held in the net assets of the transparent entity.

19.1.3. Luxembourg Resident Companies Benefiting from a Special Tax Regime

Holders of the Company's shares who are (i) undertakings for collective investment subject to the law of December 17, 2010 relating to undertakings for collective investment, as amended, or (ii) specialized investment funds subject to the law of February 13, 2007 relating to specialized investment funds, as amended, or (iii) private asset holding companies governed by the law of May 11, 2007 introducing a private family assets holding company, as amended, or (iv) reserved alternative investment funds (not opting for the treatment as a venture capital vehicle) governed by the law of July 23, 2016 on reserved alternative investment funds are exempt from income tax in Luxembourg. Dividends derived from and capital gains realized on the shares are thus not subject to income tax in their hands. No tax credit is then available for withholding tax on dividends received from the Company.

19.2. Taxation of Income Derived from, and Capital Gains Realized on, the Company's Shares by Luxembourg Non-resident Taxpayers

19.2.1. Individual Holders of Shares

Non-resident individuals who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the shares in the Company are attributable, are not liable to any Luxembourg income tax on income and gains derived from the shares in the Company.

19.2.2. Corporate Holders of Shares

Dividends derived from the Company's shares by non-resident corporate holders having a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the shares are attributable are subject to income tax, unless the conditions of the Luxembourg participation exemption regime, as described below, are satisfied. Under current Luxembourg tax laws, 50% of the gross amount of dividends derived from the shares will be exempt from Luxembourg income tax.

Under the Luxembourg participation exemption regime, dividends derived from the Company's shares by a Luxembourg permanent establishment of (i) a collective entity (*organisme à caractère collectif*) meeting the conditions set out in Article 2 of the EU Parent-Subsidiary Directive, (ii) a capital company (*société de capitaux*) which is a resident in a state that has concluded a double tax treaty with Luxembourg or (iii) a capital company (*société de capitaux*) or a cooperative company which is resident in a state other than a EU Member State but which is part of the European Economic Area Agreement, may be exempt from income tax if, cumulatively, (i) it has held or commits itself to hold the shares for an uninterrupted period of at least twelve months, (ii) during this uninterrupted period of twelve months the shares represent a participation of a least 10% in the share capital of the Company or the shares were acquired for an acquisition price of at least EUR 1.2 million, (iii) the dividend is put at the disposal at the time conditions (i) and (ii) above are met. Liquidation proceeds are, under Luxembourg domestic law, assimilated to a received dividend and may be exempt under the same conditions. Shares held through a fiscally transparent entity are considered as being a direct participation proportional to the percentage held in the net assets of the transparent entity.

Capital gains realized on disposal of the Company's shares by non-resident corporate holders holding the shares through a permanent establishment, a permanent representative or a fixed place of business in Luxembourg, are subject to income tax at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied.

Under the Luxembourg participation exemption regime, capital gains realized on the Company's shares by a Luxembourg permanent establishment of (i) a collective entity (*organisme à caractère collectif*) meeting the conditions set out in Article 2 of the EU Parent-Subsidiary Directive or (ii) a capital company (*société de capitaux*) which is a resident in a state that has concluded a double tax treaty with Luxembourg or (iii) a capital company (*société de capitaux*) or a cooperative company which is resident in a state other than a EU Member State which is part of the European Economic Area Agreement may be exempt from income tax if, cumulatively, (i) it has held or commits itself to hold the shares for an uninterrupted period of at least twelve months, (ii) during this uninterrupted period of twelve months the shares represent a participation of a least 10% in the share capital of the Company or the shares were acquired for an acquisition price of at least EUR 6 million. Shares held through a fiscally transparent entity are considered as being a direct participation proportional to the percentage held in the net assets of the transparent entity.

However, if a double tax treaty between Luxembourg and the country of residence of the holder of shares applies, the Luxembourg non-resident holder of shares may perhaps benefit from an exemption from Luxembourg tax upon disposal of its shares pursuant to the relevant provisions of such double tax treaty.

19.3. Other Taxes

19.3.1. Net Wealth Tax

Luxembourg net wealth tax (except for a minimum net wealth tax ("MNWT")) will not be levied on a holder of the Company's shares unless (i) the conditions of the participation exemption applicable to dividends (as described above) are not fulfilled (except that no holding period is required) and the holder is a corporate entity resident in Luxembourg other than an undertaking for collective investment governed by the law of December 17, 2010 relating to undertakings for collective investment, as amended, a securitization vehicle governed by the law of March 22, 2004 on securitization, as amended, an entity subject to the SICAR Law, a specialized investment fund governed by the law of February 13, 2007 relating to specialized investment funds, as amended, or a private asset holding company governed by the law of May 11, 2007 introducing a private family assets holding company, as amended, or a professional pension institution governed by the amended law of July 13, 2005, or a reserved alternative investment fund vehicle governed by the law of July 23, 2016, or (ii) the shares are attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed place of business in Luxembourg of a capital company (*société de capitaux*) to which the shares are attributable, where the conditions of the participation exemption applicable to dividends (as described above) are not fulfilled (except that no holding period is required).

Please note that even when the participation exemption is applicable (or would be applicable but for the holding period), as from January 1, 2016, a MNWT is levied on companies having their statutory seat or central administration in Luxembourg. For entities for which the sum of fixed financial assets, transferable securities and cash at bank exceeds 90% of their total gross assets and EUR 350,000, the MNWT is set at EUR 4,815. For all other companies having their statutory seat or central administration in Luxembourg which do not fall within the scope of the EUR 4,815 MNWT, the MNWT ranges from EUR 535 to EUR 32,100, depending on the company's total gross assets.

A securitization company governed by the amended law of March 22, 2004 on securitization, a company governed by the amended law of June 15, 2004 on venture capital vehicles, a professional pension institution governed by the amended law dated July 13, 2005, and a reserved alternative investment fund vehicle (opting for the treatment as a venture capital vehicle) governed by the law of July 23, 2016, remain subject to the MNWT.

19.3.2. Registration Taxes and Stamp Duties

Neither the issuance of the shares, nor the disposal of the shares is subject to Luxembourg registration tax or stamp duty. In the case of voluntary registration (e.g., of the deed of issuance, or the deed of disposal) in Luxembourg, only a fixed registration duty of EUR 12 would apply.

19.3.3. Inheritance and Gift Tax

Under Luxembourg tax law, where an individual shareholder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, the shares are included in his or her taxable basis for inheritance tax purposes. Gift tax may be due on a gift or donation of shares, if embodied in a Luxembourg deed or otherwise registered in Luxembourg.

19.3.4. Withholding Tax

Dividends distributed by the Company to the shareholders as well as liquidation proceeds and capital gains derived from the Company's shares are not subject to any Luxembourg withholding tax even if paid through a Luxembourg-based paying agent.

20. FINANCIAL INFORMATION

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These condensed combined interim financial statements are a translation of the respective German-language document.

Combined income statement

€ million	Note no.	H1 2015/16	H1 2016/17	Q2 2015/16	Q2 2016/17
Sales		**18,515**	**18,608**	**8,315**	**8,514**
Cost of sales		-14,976	-15,095	-6,782	-6,959
Gross profit on sales		**3,539**	**3,513**	**1,533**	**1,555**
Other operating income	1	938	562	218	297
Selling expenses		-3,061	-3,030	-1,543	-1,514
General administrative expenses		-486	-483	-255	-227
Other operating expenses		-58	-65	-27	-35
Earnings share of operating companies recognised at equity		2	7	2	3
Earnings before interest and taxes EBIT		**874**	**504**	**-73**	**78**
Earnings share of non-operating companies recognised at equity		3	0	0	0
Other investment result		0	-7	0	-8
Interest income		22	14	14	8
Interest expenses		-139	-99	-69	-45
Other financial result		-93	18	-21	24
Net financial result		**-207**	**-75**	**-76**	**-21**
Combined earnings before taxes EBT		**667**	**429**	**-148**	**57**
Income taxes		-334	-250	72	-6
Combined profit or loss for the period after taxes		**333**	**179**	**-77**	**51**
Combined profit or loss for the period attributable to non-controlling interests		9	14	4	10
Combined profit or loss for the period attributable to METRO GROUP		323	165	-81	41
Earnings per share in €	2	**0.89**	**0.45**	**-0.22**	**0.11**

Reconciliation from combined profit or loss for the period to combined total comprehensive income

€ million	H1 2015/16	H1 2016/17	Q2 2015/16	Q2 2016/17
Combined profit or loss for the period after taxes	**333**	**179**	**-77**	**51**
Combined other comprehensive income				
Items of combined other comprehensive income that will not be reclassified subsequently to profit or loss	**-14**	**24**	**-12**	**6**
Remeasurement of defined benefit pension plans	-31	41	-29	11
Income tax attributable to items of combined other comprehensive income that will not be reclassified to profit or loss	17	-17	17	-5
Items of combined other comprehensive income that may be reclassified subsequently to profit or loss	**-21**	**163**	**-13**	**60**
Currency translation differences from translating the financial statements of foreign operations	-17	163	-7	64
Effective portion of gains/losses from cash flow hedges	-4	0	-7	-4
Gains/losses on remeasuring financial instruments in the category "available for sale"	-0	0	1	0
Income tax attributable to items of combined other comprehensive income that may be reclassified to profit or loss	0	0	0	0
Combined other comprehensive income	**-35**	**187**	**-25**	**66**
Combined total comprehensive income	**297**	**366**	**-102**	**117**
Combined total comprehensive income attributable to non-controlling interests	9	14	4	10
	288	352	-106	107

Combined balance sheet

Assets

€ million	Note no.	30/9/2016	31/3/2016	31/3/2017
Non-current assets		**9,434**	**9,159**	**9,545**
Goodwill		852	813	881
Other intangible assets	4	420	363	475
Property, plant and equipment	5	6,979	6,770	7,025
Investment properties		163	217	153
Financial assets		89	50	81
Investments accounted for using the equity method		183	183	182
Other financial and non-financial assets	6	239	232	223
Deferred tax assets		509	532	524
Current assets		**6,558**	**7,075**	**6,508**
Inventories		3,063	3,184	3,309
Trade receivables		493	403	522
Financial assets		0	0	1
Other financial and non-financial assets	6	1,280	2,007	1,314
Entitlements to income tax refunds		123	98	124
Cash and cash equivalents	7	1,599	1,363	1,236
Assets held for sale	8	0	19	2
Assets		**15,992**	**16,234**	**16,053**

Equity and liabilities

€ million	Note no.	30/9/2016	31/3/2016	31/3/2017
Equity		**2,924**	**3,074**	**3,254**
Net assets attributable to METRO GROUP		3,748	3,916	3,885
Other components of equity attributable to METRO GROUP		-860	-876	-673
Non-controlling interests		36	34	42
Non-current liabilities		**4,954**	**5,052**	**4,764**
Provisions for post-employment benefits plans and similar obligations	9	646	578	610
Other provisions		297	330	285
Borrowings	10	3,796	3,908	3,671
Other financial and non-financial liabilities	10, 11	127	143	119
Deferred tax liabilities		88	93	79
Current liabilities		**8,114**	**8,107**	**8,035**
Trade liabilities	10	4,892	4,660	4,601
Provisions		559	485	520
Borrowings	10	944	1,648	1,497
Other financial and non-financial liabilities	10, 11	1,591	1,134	1,098
Income tax liabilities	10	128	181	319
Equity and Liabilities		**15,992**	**16,234**	**16,053**

Combined statement of changes in equity

€ million	Net assets attributable to METRO GROUP	Effective portion of gains/losses from cash flow hedges	Gains/losses on remeasuring financial instruments in the category "available for sale"	Currency translation differences from the conversion of the accounts of foreign operations	Remeasurement of defined benefit pension plans	Income tax on components of combined other comprehensive income	Other components of equity attributable to METRO GROUP (total)	Equity attributable to METRO GROUP (total)	Non-controlling interests	Total equity
1/10/2015	**3,458**	**67**	**0**	**-557**	**-408**	**57**	**-841**	**2,617**	**34**	**2,651**
Dividends	0	0	0	0	0	0	0	0	-9	**-9**
Combined total comprehensive income	323	-4	0	-17	-31	17	-35	288	9	**297**
thereof combined profit or loss for the period	(324)	(0)	(0)	(0)	(0)	(0)	(0)	(324)	(9)	**(333)**
thereof combined other comprehensive income	(0)	(-4)	(0)	(-17)	(-31)	(17)	(-35)	(-35)	(0)	**(-35)**
Transactions with METRO GROUP	146	0	0	0	0	0	0	146	0	**146**
thereof dividend payment of METRO AG	(-327)	(0)	(0)	(0)	(0)	(0)	(0)	(-327)	(0)	**(-327)**
thereof contributions/withdrawals	(473)	(0)	(0)	(0)	(0)	(0)	(0)	(473)	(0)	**(473)**
Other changes	-11	0	0	0	0	0	0	-11	0	**-11**
31/3/2016	**3,916**	**63**	**0**	**-574**	**-439**	**74**	**-876**	**3,040**	**34**	**3,074**
1/10/2016	**3,748**	**68**	**0**	**-513**	**-503**	**88**	**-860**	**2,888**	**36**	**2,924**
Dividends	-8[1]	0	0	0	0	0	0	-8	-19	**-27**
Combined total comprehensive income	165	0	0	163	41	-17	187	352	14	**366**
thereof combined profit or loss for the period	(165)	(0)	(0)	(0)	(0)	(0)	(0)	(165)	(14)	**(179)**
thereof combined other comprehensive income	(0)	(0)	(0)	(163)	(41)	(-17)	(187)	(187)	(0)	**(187)**
Transactions with METRO GROUP	0	0	0	0	0	0	0	0	0	**0**
thereof dividend payment of METRO AG	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	**(0)**
thereof contributions/withdrawals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	**(0)**
Other changes	-20	0	0	0	0	0	0	-20	11	**-9**
31/3/2017	**3,885**	**68**	**0**	**-350**	**-462**	**71**	**-673**	**3,212**	**42**	**3,254**

[1] Reported dividends include dividends totalling €8 million paid to METRO AG, which holds a minority stake in a subsidiary of MWFS GROUP and will continue to hold this minority stake after completion of the demerger. Following completion of the demerger, such dividends will be recognized within non-controlling interests.

Combined cash flow statement

€ million	H1 2015/16	H1 2016/17
EBIT	874	504
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	333	355
Change in provisions for post-employment benefits plans and other provisions	-3	-17
Change in net working capital	-392	-494
Income taxes paid	-116	-103
Reclassification of gains from the disposal of fixed assets	-2	-112
Other	-513	-268
Cash flow from operating activities	**181**	**-135**
Acquisition of subsidiaries	0	-180
Investments in property, plant and equipment (excl. finance leases)	-307	-281
Other investments	-106	-63
Investments in monetary assets	-194	-481
Disposals of subsidiaries	357	-47
Disposal of fixed assets	41	66
Gains from the disposal of fixed assets	2	112
Disposals of monetary assets	362	540
Cash flow from investing activities	**155**	**-334**
Profit distributions attributable to		
METRO AG	0	-8
non-controlling interests	-9	-19
Redemption of liabilities from put options of non-controlling interests	-86	-20
New borrowings	400	1,542
Redemption of borrowings	-2,685	-1,100
Interest paid	-139	-100
Interest received	26	13
Profit and loss transfers and other financing activities	-25	-213
Transactions with METRO GROUP	122	0
thereof cash contributions	(460)	(0)
thereof cash withdrawals	(-338)	(0)
Cash flow from financing activities	**-2,396**	**95**
Total cash flows	**-2,060**	**-374**
Currency effects on cash and cash equivalents	-15	10
Total change in cash and cash equivalents	**-2,075**	**-364**
Total cash and cash equivalents as of 1 October	3,438	1,599
Cash and cash equivalents recognised as assets pursuant to IFRS 5	2	0
Cash and cash equivalents as of 1 October	**3,436**	**1,599**
Cash and cash equivalents on 31 March	**1,363**	**1,236**

NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

Segment reporting H1 2016/17[1]

Operating segments

	METRO Cash & Carry (in the future: METRO Wholesale)		Real		Other companies		Reconciliation to the combined financial statements		MWFS GROUP	
€ million	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**
External sales (net)	14,535	14,867	3,945	3,718	36	22	0	0	18,515	18,608
Internal sales (net)	3	7	5	5	49	46	-57	-57	0	0
Sales (net)	14,539	14,873	3,949	3,723	85	68	-57	-57	18,515	18,608
EBITDA[2]	1,079	755	138	93	-4	15	-6	-4	1,207	859
EBITDA before special items[2]	707	777	138	140	-3	43	-6	-4	836	956
Depreciation/amortisation/impairment losses	207	223	69	70	70	66	-2	-1	343	357
Reversals of impairment losses	0	2	0	0	10	0	0	0	10	2
EBIT[2]	872	534	69	24	-64	-51	-4	-2	874	504
EBIT before special items[2]	499	565	69	70	-62	-23	-4	-2	502	610
Segment investments	172	261	157	32	54	53	0	0	383	346
Long-term segment assets	6,143	6,633	1,197	1,172	1,075	981	-22	-29	8,393	8,757

Regional segments

	Germany		Western Europe (excl. Germany)[3]		Eastern Europe[4]		Asia		International		Reconciliation to the combined financial statements[5]		MWFS GROUP	
€ million	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**
External sales (net)	6,387	6,089	5,016	5,084	4,807	5,094	2,305	2,340	12,128	12,519	0	0	18,515	18,608
Internal sales (net)	35	37	84	104	0	1	13	10	97	115	-132	-152	0	0
Sales (net)	6,422	6,125	5,100	5,188	4,807	5,095	2,318	2,350	12,225	12,634	-132	-152	18,515	18,608
EBITDA[2]	143	156	191	165	344	365	534	171	1,069	701	-5	2	1,207	859
EBITDA before special items[2]	144	228	223	175	378	375	97	176	698	726	-5	2	836	956
Depreciation/ amortisation/ impairment losses	167	167	56	66	87	83	34	41	177	190	0	0	343	357
Reversals of impairment losses	10	0	0	2	0	0	0	0	0	2	0	0	10	2
EBIT[2]	-13	-11	135	100	258	282	500	130	892	513	-5	2	874	504
EBIT before special items[2]	-13	61	167	115	290	292	63	140	520	546	-5	2	502	610
Investments	237	91	43	199	80	40	22	17	146	256	0	0	383	346
Long-term segment assets	2,831	2,815	1,863	2,098	2,686	2,805	1,016	1,042	5,565	5,945	-2	-3	8,393	8,757

1 Segment reporting is explained in the notes to the condensed combined financial statements in no. 14 – *segment reporting*

2 The figure for H1 2016/17 includes income from operating companies recognised at equity in the amount of €7million which relates essentially to the METRO Cash & Carry and to the Germany segments

3 Includes France with external sales of €2,086 million in H 2016/17 (H1 2015/16: €1,968 million) and long-term segment assets in the amount of €956 million as of 31 March 2017 (31 March 2016: €761 million)

4 Includes Russia with external sales of €1,836 million in H1 2016/17 (H1 2015/16: €1,542 million) and long-term segment assets in the amount of €1,264 million as of 31 March 2017 (31 March 2016: €1,024 million)

5 Also includes consolidation effects between the regions outside of Germany

Segment reporting Q2 2016/17[1]

Operating segments

	METRO Cash & Carry (in the future: METRO Wholesale)		Real		Others		Reconciliation to the combined financial statements		MWFS GROUP	
€ million	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**
External sales (net)	6,498	6,852	1,800	1,660	16	2	0	0	8,315	8,514
Internal sales (net)	2	3	2	2	22	22	-26	-26	0	0
Sales (net)	6,500	6,855	1,802	1,662	38	24	-26	-26	8,315	8,514
EBITDA[2]	98	235	18	38	-14	-16	-2	-6	100	251
EBITDA before special items[2]	145	240	19	32	-13	-2	-2	-6	149	264
Depreciation/amortisation/impairment losses	104	107	34	34	35	32	-1	0	172	173
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0
EBIT[2]	-6	128	-16	4	-49	-48	-1	-6	-73	78
EBIT before special items[2]	40	133	-15	-2	-48	-35	-1	-6	-24	91
Segment investments	67	212	14	19	29	27	0	0	110	259
Long-term segment assets	6,143	6,633	1,197	1,172	1,075	981	-22	-29	8,393	8,757

Regional segments

	Germany		Western Europe (excl. Germany)[3]		Eastern Europe[4]		Asia		International		Reconciliation to the combined financial statements[5]		MWFS GROUP	
€ million	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**	**Q2 2015/16**	**Q2 2016/17**
External sales (net)	2,869	2,692	2,206	2,319	2,054	2,266	1,185	1,237	5,446	5,822	0	0	8,315	8,514
Internal sales (net)	16	16	40	51	0	0	6	5	46	56	-62	-72	0	0
Sales (net)	2,885	2,708	2,245	2,370	2,054	2,266	1,191	1,242	5,491	5,878	-62	-72	8,315	8,514
EBITDA[2]	-29	-1	-9	0	84	122	53	130	129	253	0	0	100	251
EBITDA before special items[2]	-32	5	22	2	116	127	43	130	181	259	0	0	149	264
Depreciation/ amortisation/ impairment losses	83	83	28	32	44	40	17	18	90	90	0	0	172	173
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBIT[2]	-112	-84	-37	-31	39	82	37	112	39	162	0	0	-73	78
EBIT before special items[2]	-115	-78	-6	-29	70	86	27	112	91	169	0	0	-24	91
Investments	49	53	18	180	33	15	9	10	60	205	0	0	110	259
Long-term segment assets	2,831	2,815	1,863	2,098	2,686	2,805	1,016	1,042	5,565	5,945	-2	-3	8,393	8,757

1 Segment reporting is explained in the notes to the condensed combined interim financial statements in no. 14 – *segment reporting*

2 The figure for Q2 2016/17 includes income from operating companies recognised at equity in the amount of €3 million which relates essentially to the METRO Cash & Carry and to the Germany segments

3 Includes France with external sales of €1,034 million in Q2 2016/17 (Q2 2015/16: €908 million) and long-term segment assets in the amount of €956 million as of 31 March 2017 (31 March 2016: €761 million)

4 Includes Russia with external sales of €811 million in Q2 2016/17 (Q2 2015/16: €603 million) and long-term segment assets in the amount of €1,264 million as of 31 March 2017 (31 March 2016: €1,024 million)

5 Also includes consolidation effects between the regions outside of Germany

Special items H1 2016/17[1]

Special items

by sales line

		As reported		Special items		Before special items	
€ million		**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**
EBITDA		**1,207**	**859**	**-370**	**96**	**836**	**956**
thereof	METRO Cash & Carry (in the future: METRO Wholesale)	1,079	755	-372	22	707	777
	Real	138	93	0	47	138	140
	Others	-4	15	1	28	-3	43
	Reconciliation to the combined interim financial statements	-6	-4	0	0	-6	-4
EBIT		**874**	**504**	**-372**	**106**	**502**	**610**
thereof	METRO Cash & Carry (in the future: METRO Wholesale)	872	534	-373	31	499	565
	Real	69	24	0	47	69	70
	Others	-64	-51	1	28	-62	-23
	Reconciliation to the combined interim financial statements	-4	-2	0	0	-4	-2
Net financial result		**-207**	**-75**	**24**	**-2**	**-183**	**-76**
Combined EBT (earnings before taxes)		**667**	**429**	**-348**	**104**	**319**	**534**
Income taxes		-334	-250	189	35	-144	-215
Combined profit or loss for the period after taxes		**333**	**179**	**-158**	**140**	**174**	**319**
Combined profit or loss for the period attributable to non-controlling interests		9	14	0	1	9	15
Combined profit or loss for the period attributable to METRO GROUP		323	165	-158	139	165	304
Earnings per share in €		**0.89**	**0.45**	**-0.44**	**0.38**	**0.45**	**0.84**

Special items

by region

		As reported		Special items		Before special items	
€ million		**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**	**H1 2015/16**	**H1 2016/17**
EBITDA		**1,207**	**859**	**-370**	**96**	**836**	**956**
thereof	Germany	143	156	0	72	144	228
	Western Europe (excl. Germany)	191	165	32	10	223	175
	Eastern Europe	344	365	34	9	378	375
	Asia	534	171	-437	5	97	176
	Reconciliation to the combined interim financial statements	-5	2	0	0	-5	2
EBIT		**874**	**504**	**-372**	**106**	**502**	**610**
thereof	Germany	-13	-11	0	72	-13	61
	Western Europe (excl. Germany)	135	100	32	14	167	115
	Eastern Europe	258	282	32	9	290	292
	Asia	500	130	-437	10	63	140
	Reconciliation to the combined interim financial statements	-5	2	0	0	-5	2
Net financial result		**-207**	**-75**	**24**	**-2**	**-183**	**-76**
Combined EBT (earnings before taxes)		**667**	**429**	**-348**	**104**	**319**	**534**
Income taxes		-334	-250	189	35	-144	-215
Combined profit or loss for the period after taxes		**333**	**179**	**-158**	**140**	**174**	**319**
Combined profit or loss for the period attributable to non-controlling interests		9	14	0	1	9	15
Combined profit or loss for the period attributable to METRO GROUP		323	165	-158	139	165	304
Earnings per share in €		**0.89**	**0.45**	**-0.44**	**0.38**	**0.45**	**0.84**

Special items Q2 2016/17[1]

Special items

by sales line

€ million		As reported Q2 2015/16	As reported Q2 2016/17	Special items Q2 2015/16	Special items Q2 2016/17	Before special items Q2 2015/16	Before special items Q2 2016/17
EBITDA		**100**	**251**	**50**	**12**	**149**	**264**
thereof	METRO Cash & Carry (in the future: METRO Wholesale)	98	235	48	5	145	240
	Real	18	38	1	-6	19	32
	Others	-14	-16	1	13	-13	-2
	Reconciliation to the combined interim financial statements	-2	-6	0	0	-2	-6
EBIT		**-73**	**78**	**48**	**13**	**-24**	**91**
thereof	METRO Cash & Carry (in the future: METRO Wholesale)	-6	128	46	5	40	133
	Real	-16	4	1	-6	-15	-2
	Others	-49	-48	1	13	-48	-35
	Reconciliation to the combined interim financial statements	-1	-6	0	0	-1	-6
Net financial result		**-76**	**-21**	**-6**	**-2**	**-82**	**-23**
Combined EBT (earnings before taxes)		**-148**	**57**	**42**	**10**	**-106**	**68**
Income taxes		72	-6	-27	-9	45	-15
Combined profit or loss for the period after taxes		**-77**	**51**	**15**	**1**	**-62**	**52**
Combined profit or loss for the period attributable to non-controlling interests		4	10	0	0	4	10
Combined profit or loss for the period attributable to METRO GROUP		-81	41	15	1	-66	42
Earnings per share in €		**-0.22**	**0.11**	**0.04**	**0.00**	**-0.18**	**0.12**

Special items

by region

€ million		As reported Q2 2015/16	As reported Q2 2016/17	Special items Q2 2015/16	Special items Q2 2016/17	Before special items Q2 2015/16	Before special items Q2 2016/17
EBITDA		**100**	**251**	**50**	**12**	**149**	**264**
thereof	Germany	-29	-1	-3	6	-32	5
	Western Europe (excl. Germany)	-9	0	31	2	22	2
	Eastern Europe	84	122	32	4	116	127
	Asia	53	130	-10	0	43	130
	Reconciliation to the combined interim financial statements	0	0	0	0	0	0
EBIT		**-73**	**78**	**48**	**13**	**-24**	**91**
thereof	Germany	-112	-84	-3	6	-115	-78
	Western Europe (excl. Germany)	-37	-31	31	2	-6	-29
	Eastern Europe	39	82	30	4	70	86
	Asia	37	112	-10	0	27	112
	Reconciliation to the combined interim financial statements	0	0	0	0	0	0
Net financial result		**-76**	**-21**	**-6**	**-2**	**-82**	**-23**
Combined EBT (earnings before taxes)		**-148**	**57**	**42**	**10**	**-106**	**68**
Income taxes		72	-6	-27	-9	45	-15
Combined profit or loss for the period after taxes		**-77**	**51**	**15**	**1**	**-62**	**52**
Combined profit or loss for the period attributable to non-controlling interests		4	10	0	0	4	10
Combined profit or loss for the period attributable to METRO GROUP		-81	41	15	1	-66	42
Earnings per share in €		**-0.22**	**0.11**	**0.04**	**0.00**	**-0.18**	**0.12**

[1] Special items are explained in the notes to the condensed combined interim financial statements in no. 14 – *special items*.

Accounting principles and methods applied to the condensed combined interim financial statements

Background and purpose of the condensed combined interim financial statements

In the current organisational set-up, MDAX-listed METRO AG serves as the holding company for METRO GROUP. METRO GROUP is a leading international wholesale and retail group. Its operations comprise wholesale and food retail including online trading and are operated by the METRO Cash & Carry and Real sales lines (together: MWFS division). The Media-Saturn sales line focuses on consumer electronics retailing (CE division). The Management Board of METRO AG continues to forge ahead with the demerger of the highly divergent MWFS and CE divisions into two independent, stock-listed companies, which is planned to be completed by mid-2017.

The fact that such a demerger was being examined had been announced in an ad-hoc statement on 30 March 2016. After completing the relevant assessment, the Management Board of METRO AG decided, with the approval of the Supervisory Board, to implement the necessary preparatory measures, announcing its decision on 5 September 2016. The MWFS and CE divisions will be managed separately by two separate, independent and stock-listed holding companies in the future. In the following, all economic activities of the MWFS division will be presented under the name MWFS GROUP, while the economic activities of the CE division will be referred to as CE GROUP.

METRO Wholesale & Food Specialist AG, based in Düsseldorf, will be the stock-listed holding company of MWFS GROUP. To this end, METRO AG acquired the shares of METRO GROUP subsidiary METRO Wholesale & Food Specialist AG (formerly METRO Wholesale & Food Specialist GmbH) in financial year 2015/16, contributing among others a limited partner's interest of 92.9 per cent in METRO PROPERTIES GmbH & Co. KG to the capital reserve. Material stakes in the operations of MWFS GROUP that were previously held by the intermediate holding company METRO Groß- und Lebensmitteleinzelhandel Holding GmbH (MGLEH) were sold to METRO Wholesale & Food Specialist AG.

Among other things, the assets and liabilities of METRO AG that are attributable to the economic activities of MWFS GROUP (with the exception of the stake in MGLEH) are scheduled to be hived down to METRO Wholesale & Food Specialist AG in financial year 2016/17. In the next step, the remaining METRO AG assets that are not attributable to CE GROUP (this essentially concerns the stake in MGLEH) will be transferred to METRO Wholesale & Food Specialist AG by means of a spin-off. The hive-down and spin-off (together: the demerger) must be filed for registration in the commercial registers of METRO AG and METRO Wholesale & Food Specialist AG and are foreseen to become effective in immediate succession. With the registration of the hive-down and spin-off in the commercial register of METRO AG, the assets to be hived down or spun off will be transferred to METRO Wholesale & Food Specialist AG in their entirety. At the same time, METRO AG will receive shares in METRO Wholesale & Food Specialist AG from the hive-down. As a result of the spin-off, the shareholders of METRO AG will become shareholders of METRO Wholesale & Food Specialist AG in accordance with the apportionment of shares stipulated in the hive-down and spin-off agreement (demerger agreement). METRO AG and METRO Wholesale & Food Specialist AG had signed the demerger agreement to implement the demerger in December 2016. The shares of METRO Wholesale & Food Specialist AG will be registered for trading on the securities exchanges in Frankfurt and Luxembourg. Following the demerger of METRO GROUP, METRO AG will continue to hold a stake of approximately 10 per cent in the share capital of METRO Wholesale & Food Specialist AG, both directly and indirectly through a CE GROUP company. The indirect stake was already created as part of the preparatory transactions as of 30 September 2016.

The Annual General Meetings of METRO AG and METRO Wholesale & Food Specialist AG approved the demerger agreement in February 2017. Several shareholders, including the non-controlling shareholder of CE GROUP subsidiary Media-Saturn-Holding GmbH, have filed actions to set aside or declare void (Anfechtungs- oder Nichtigkeitsklage) and/or for declaratory judgement (Allgemeine Feststellungsklage) with various lines of argumentation against the resolution of METRO AG's Annual General Meeting regarding the approval of the demerger agreement and other resolutions at the district court of Düsseldorf. For more information, see the notes in no. 18 – *remaining legal issues*. The actions to set aside or declare

void filed against the demerger resolution of the Annual General Meeting prevented the registration of the approval within the commercial register of METRO AG. The Management Board of METRO AG considered all of these lawsuits unfounded and with respect to these lawsuits filed a motion for expedited registration (Freigabeverfahren) in accordance with the German Transformation Act (Umwandlungsgesetz) at the higher regional court (Oberlandesgericht) of Düsseldorf. By decision of June 22, 2017, the higher regional court of Düsseldorf held that the actions to set aside or declare void do not impede the registrations of the hive-down and spin-off within the commercial register. Due to the motion for expedited registration being inadmissible with respect to the actions for declaratory judgement, the higher regional court of Düsseldorf rejected the motion partially. Despite this rejection, the competent commercial register is not impeded to register the hive-down and spin-off. METRO AG continues to implement the necessary measures to successfully complete the demerger. The Management Board of METRO AG expects the hive-down and spin-off as well as the listing of the shares of METRO Wholesale & Food Specialist AG to be completed in mid-2017.

On 6 December 2016, METRO AG prepared combined financial statements for MWFS GROUP for the financial years ending on 30 September 2016, 2015 and 2014 (combined financial statements). For the purpose of interim reporting, the Management Board of METRO AG has decided to prepare these complementary condensed combined interim financial statements for the six months from 1 October 2016 to 31 March 2017 (combined interim financial statements for the six months ended 31 March 2017).

For more information on the background to and purpose of the combined interim financial statements for the six months ended 31 March 2017, see the explanations in the combined financial statements of MWFS GROUP that were prepared by the Management Board of METRO AG on 6 December 2016.

MWFS GROUP will be managed by the Management Board of METRO AG, Metro-Straße 1, 40235 Düsseldorf, Germany, until the demerger have become legally effective. The combined interim financial statements for the six months from 1 October 2016 to 31 March 2017 (H1 2016/17) of MWFS GROUP were prepared by the Management Board of METRO AG on 23 June 2017 for the purpose of the provision of interim financial information. The combined interim financial statements for the six months ended 31 March 2017 are unaudited.

Combination group

Based on the stipulations of the demerger agreement between METRO AG and METRO Wholesale & Food Specialist AG, the combined interim financial statements for the six months ended 31 March 2017 reflect the economic activities of MWFS GROUP, which was under common control of METRO AG during H1 2016/17 and H1 2015/16. The combined interim financial statements thus include those assets and liabilities as well as expenses and income of METRO GROUP that were part of the economic activities of MWFS GROUP in the past – that is, of the sales lines METRO Cash & Carry and Real as well as related service companies – and therefore will be hived down or spun off to METRO Wholesale & Food Specialist AG as part of the legal reorganisation of METRO GROUP.

Unlike in the combined financial statements and in H1 2015/16, no allocation keys had to be used to determine the economic activities of METRO AG (mixed company) in the preparation of the combined interim financial statements for the six months ended 31 March 2017. Instead, the financial data for the economic activities of MWFS GROUP presented in these combined interim financial statements could be taken from the separate accounting area for MWFS-related activites within METRO AG as of 1 October 2016. This approach provides for more accurately determining the economic activities compared to an allocation of assets and liabilities on the basis of allocation keys. With respect to the other mixed companies (METRO Group Clearing GmbH and METRO Innovations Holding GmbH), expenses and income as well as assets and liabilities could already previously be allocated to MWFS GROUP and CE GROUP, respectively, without making use of allocation keys. In H1 2016/17, services rendered between MWFS GROUP and CE GROUP related to corporate headquarter functions (METRO AG) were settled under a Transitional Service Agreement. For more information, see no. 20 – *notes on related parties.*

In accordance with the allocation of METRO GROUP's net debt to MWFS GROUP, the cash and cash equivalents of METRO AG were also fully allocated to MWFS GROUP in the combined

financial statements. As a result of payments in connection with economic activities of CE GROUP, this resulted in changes in this fund that were not allocable to the business activities of MWFS GROUP. In the combined financial statements and thus also in H1 2015/16, these cash inflows and outflows were shown as withdrawals from or contributions to equity. Aside from withdrawals due to dividend payments to the shareholders of METRO AG (€327 million), additional withdrawals of €10 million were made. Contributions stemmed from returns from METRO Unterstützungskasse e. V. of €177 million as well as events totalling €241 million in connection with the GALERIA Kaufhof group. In addition, contributions of €65 million were recognised in connection with METRO Kaufhaus und Fachmarkt Holding GmbH.

Since 1 October 2016, the cash and cash equivalents of METRO AG have been assigned to MWFS GROUP in accordance with the stipulations of the demerger agreement. As a result, no additional cash inflows and outflows to be regarded as equity contributions or withdrawals occurred in H1 2016/17.

MWFS GROUP is currently included in the METRO AG group of companies and does not operate as an independent group. The combined interim financial statements for the six months ended 31 March 2017 therefore do not serve as a guide to the results that MWFS GROUP would have achieved during this period as a separate, stand-alone group with independent central functions. The combined interim financial statements for the six months ended 31 March 2017 also do not serve as a guide to future results of MWFS GROUP.

Material changes to the combination group (business combination with Pro à Pro group)

As of 1 February 2017, pursuant to the sale and purchase agreement dated 7 July 2016 and following the approval of the relevant competition authorities, METRO Cash & Carry International Holding B.V. acquired 100 per cent of the shares in Pro à Pro group from S.A. Ets Fr. Colruyt, Belgium. The Pro à Pro group consists of eleven entities that are grouped under S.A. Colruyt France. The purchase price was a low-to-mid triple-digit million euro amount and was paid in cash. The Pro à Pro group specialises in particular in food delivery to major food service customers such as canteens. The acquisition of the Pro à Pro group enables MWFS GROUP to expand its activities in the food service distribution business. The company's first-time consolidation was effected in Q2 2016/17. The Pro à Pro group is part of the METRO Cash & Carry (in the future: METRO Cash & Carry (in the future: METRO Wholesale) segment.

As of the acquisition date, the fair values of the acquired assets and liabilities of the consolidated Pro à Pro group can be broken down as follows:

€ million	
Assets	
Other intangible assets	**61**
Property, plant and equipment	**61**
Deferred tax assets	**9**
Inventories	**52**
Trade receivables	**105**
Other financial and non-financial assets (current)	**22**
Entitlements to income tax refunds	**0**
Cash and cash equivalents	**70**
	380
Liabilities	
Provisions for post-employment benefits plans and similar obligations	**5**
Other provisions	**3**
Borrowings (non-current)	**1**
Deferred tax liabilities	**24**
Trade liabilities	**99**
Borrowings (current)	**1**
Income tax liabilities	**0**
Other financial and non-financial liabilities (current)	**16**
	149

With regard to the determination of the final purchase price and the valuation of assets and liabilities in the opening balance sheet, the first-time consolidation of the Pro à Pro group should be regarded as preliminary.

The acquisition of the Pro à Pro group resulted in goodwill of €21 million.

From the date of first-time consolidation on 1 February 2017, the Pro à Pro group contributed €128 million to MWFS GROUP's total sales (of which third-party sales of €124 million) and €1 million to profit for the period (net profit). The Pro à Pro group currently employs 1,833 people.

If the company had been acquired on 1 October 2016, the Pro à Pro group would have contributed €363 million to MWFS GROUP's sales and €4 million to profit for the period.

Accounting principles

METRO AG has prepared these combined interim financial statements of MWFS GROUP for the six months ended 31 March 2017 in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU). The IFRS provide no guidelines for the preparation of combined financial statements, Therefore, as per IAS 8.12, the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and accepted industry practices shall be considered when preparing combined financial statements.

The combined balance sheet of MWFS GROUP results from the combination of the net assets of all companies and economic activities included in the combination group. Intra-group balances, income and expenses as well as gains and losses from transactions between companies included in the combination group have been eliminated. Capital consolidation was effected with respect to existing shareholdings within the combination group of MWFS GROUP. Transactions with METRO GROUP companies that are not part of MWFS GROUP are shown in no. 20 – *notes on related parties*.

The same accounting principles and values on which the financial information in the combined interim financial statements of MWFS GROUP for the six months ended 31 March 2017 are based are generally applied to the combined interim financial statements with the exception of the accounting principles listed in the section *new accounting standards*.

The combined interim financial statements for the six months ended 31 March 2017 consist of a combined income statement for the six months from 1 October 2016 to 31 March 2017 (including the separate presentation for Q2 of the financial year from 1 January 2017 to 31 March 2017) as well as a reconciliation from combined profit or loss for the period to combined comprehensive income for the six months from 1 October 2016 to 31 March 2017 (including the separate presentation for Q2 of the financial year from 1 January 2017 to 31 March 2017), a combined balance sheet as of 31 March 2017, a combined statement of changes in equity and a combined cash flow statement for the six months from 1 October 2016 to 31 March 2017 and notes to the condensed combined interim financial statements for the six months from 1 October 2016 to 31 March 2017.

The previous year's figures shown in the combined interim financial statements for the six months ended 31 March 2017 are presented as though MWFS GROUP had already existed in the structure foreseen following the implementation of the legal re-organisation of METRO GROUP. All comparable information for the previous year is therefore based on the presentation in the combined (interim) financial statements of MWFS GROUP.

These combined interim financial statements for the six months ended 31 March 2017 have been prepared in accordance with IAS 34 (Interim Financial Reporting). As these are condensed combined interim financial statements, they do not include all disclosures included in the combined financial statements of MWFS GROUP. Readers are therefore advised to read the combined interim financial statements for the six months ended 31 March 2017 in conjunction with the combined financial statements of MWFS GROUP prepared according to IFRS on 6 December 2016. Given the planned exchange listing of METRO Wholesale & Food Specialist AG and the associated disclosure requirements of the listing prospectus, the financial information provided in these combined interim financial statements for the six months ended 31 March 2017 partly exceeds the requirements of IAS 34.

The wholesale and food retail business is generally impacted by seasonal factors. The Christmas business has a significant impact on the asset, financial and earnings position of MWFS GROUP presented in the financial report for the six months ended 31 March 2017. Against this background, it should be noted that a substantial portion of MWFS GROUP's EBIT in H1 2016/17 is generated during the first quarter and is thus shown in these combined interim financial statements for the six months ended 31 March 2017.

The calculation of income tax in these combined interim financial statements for the six months ended 31 March 2017 is based on the integral approach, according to which the income tax for the first half-year (and for the first quarter) is derived from the expected tax rate for the respective financial year. As in the combined financial statements, all current and deferred taxes recognised at METRO AG as the former controlling entity of the German group of incorporated companies were attributed pro rata to those parts of the group of incorporated companies that are included in the combination group (future German group of incorporated companies of METRO Wholesale & Food Specialist AG) to determine the previous year's figures, applying the group allocation approach. Due to the establishment of the new tax group with MWFS as of 1 October 2016, the group allocation approach has no longer been applied since then.

The estimates and assumptions of the Management Board of METRO AG applied to these combined interim financial statements have been made on the basis of the same principles as in the combined financial statements of MWFS GROUP. Actual results can deviate from these estimates. According to IAS 8.32 the following effect has been taken into account: A changed view on the likelihood that short-term provisions will be utilised (change in accounting-related estimates) results in a positive effect of €20 million. No effects are expected to result from this in subsequent periods.

The combined financial statements for the six months ended 31 March 2017 have been prepared in euros. Unless stated otherwise, all amounts – rounded to whole numbers – are shown in millions of euros (€ million). Furthermore, to provide a better overview within the tables, decimal places have been partly omitted. Figures in the tables may include rounding differences.

New accounting standards

The new and amended standards that are material to MWFS GROUP and have had to be applied since 1 October 2016 are explained in the following.

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 and 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 must be considered even when a standard requires a specific disclosure. For one, the amendment clarifies that the list of line items to be presented in the financial statements can be disaggregated and aggregated as relevant and additional guidance on subtotals may be included in these statements. With respect to the notes to the financial statements, the amendment clarifies that understandability and comparability should be considered when determining the order of the notes.

These amendments have no impact on these combined interim financial statements.

In contrast, an entity's share of the other comprehensive income of equity-accounted associates and joint ventures is presented in aggregate as single-line items in other comprehensive income of MWFS GROUP based on whether or not it will subsequently be reclassified to profit or loss.

Additional IFRS amendments

Among other things, the annual improvements 2012-2014 comprise 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, two clarifications were made in IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). For more information see the explanations regarding the accounting principles and methods applied in the combined financial statements in the notes of the combined financial statements of MWFS Group for the financial year ending on 30 September 2016.

Net debt

Net debt in the condensed combined interim financial statements

€ million	Note no.	31/3/2016	31/3/2017
Borrowings (incl. finance leases)	10	5,556	5,168
Cash and cash equivalents according to the combined balance sheet	7	1,363	1,236
Short-term financial investments[1]		677	30
Net debt		**3,516**	**3,902**

[1] Shown in the combined balance sheet under other financial and non-financial assets (current)

Due partly to an acquisition of a subsidiary during the current financial year, net debt increased from €3,516 million (31/3/2016) to €3,902 million (31/3/2017). The development of the individual line-items within net debt is essentially impacted by the use of short-term monetary assets to reduce borrowings.

As of 31 March 2017, short-term financial investments did not include any exchange-listed money market funds (31/3/2016: €610 million).

Notes to the combined income statement

1. Other operating income

In H1 2016/17, other operating income includes gains from a real estate transaction in China totalling €81 million and from a real estate transaction in Germany totalling €42 million. The previous year's figure includes income from the disposal of the wholesale activities in Vietnam totalling €451 million.

2. Depreciation/amortisation/impairment losses

Depreciation/amortisation/impairment losses of €366 million (H1 2015/16: €343 million) include impairment losses of €20 million (H1 2015/16: €6 million).

In H1 2016/17, impairment losses, which are essentially included in the cost of sales, relate to property, plant and equipment allocable to METRO Cash & Carry Belgium and METRO Properties India. The previous year's figures include, in particular, impairment losses related to property, plant and equipment at a company allocable to the METRO Cash & Carry sales line. They were recognized in the cost of sales.

The attribution of depreciation/amortisation/impairment losses in the combined income statement and the affected asset categories is as follows:

€ million	**H1 2015/16**	**H1 2016/17**	**Q2 2015/16**	**Q2 2016/17**
Cost of sales	6	8	3	4
Selling expenses	300	310	152	150
General administrative expenses	37	39	18	20
Scheduled depreciation/amortisation/impairment losses before impairment losses of financial assets	**343**	**357**	**172**	**173**
Net financial result	0	9	0	8
Total depreciation/amortisation/impairment losses	**343**	**366**	**172**	**181**

€ million	**H1 2015/16**	**H1 2016/17**	**Q2 2015/16**	**Q2 2016/17**
Other intangible assets	42	45	20	23
Property, plant and equipment	294	305	148	147
Investment property	8	7	4	4
Scheduled depreciation/amortisation/impairment losses before impairment losses of financial assets	**343**	**357**	**172**	**173**
Financial assets	0	9	0	8
Total depreciation/amortisation/impairment losses	**343**	**366**	**172**	**181**

3. Earnings per share (pro forma)

Given the particular relevance of this metric for capital markets, MWFS GROUP has decided to disclose earnings per share. This is a pro forma disclosure that is not required by the IFRS as these financial statements are condensed combined interim financial statements and as such no shares exist. Considering the number of shares planned to exist by the date of the stock exchange listing, the calculation was based on a total number of 363,097,253 shares. The earnings figure on which this calculation is based is combined profit or loss for the period of MWFS GROUP.

	H1 2015/16	**H1 2016/17**	**Q2 2015/16**	**Q2 2016/17**
Weighted number of designated no-par-value shares	363,097,253	363,097,253	363,097,253	363,097,253
Combined profit or loss for the period attributable to METRO GROUP (€ million)	323	165	-81	41
Earnings per share in €	**0.89**	**0.45**	**-0.22**	**0.11**

As per METRO Wholesale & Food Specialist AG's articles of association (amended through the general shareholder meeting's decision on 11 April 2017), essentially the following applies to preference shares: The holders of non-voting preference shares will receive from the annual net earnings a preferred dividend of €0.17 per each of the preference shares. Should the net earnings available for distribution not suffice in any one financial year to pay the preferred dividend, the arrears, excluding any interest, shall be paid from the net earnings of subsequent

financial years. After the preferred dividend has been distributed, the holders of ordinary shares will receive a dividend of €0.17 per each of the ordinary shares. Thereafter, an extra dividend will be paid to the holders of non-voting preference shares, which shall amount to 10 per cent of such dividend as will be paid to the holders of ordinary shares provided that such dividend equals or exceeds €1.02 per each of the ordinary shares. The non-voting preference shares carry full dividend rights for their holders for the dividends declared by METRO Wholesale & Food Specialist AG for the full financial year ending 30 September 2017 and for all subsequent financial years.

Notes to the combined balance sheet

4. Other intangible assets

As in the previous years, there are no limits to the title or right to dispose of intangible assets. Purchasing obligations for intangible assets amount to €2 million (31/3/2016: €2 million).

5. Property, plant and equipment

Purchasing obligations in relation to property, plant and equipment total €121 million (31/3/2016: €127 million).

Leases

Payments due under finance and operating leases in subsequent periods are as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 31/3/2016			
Future lease payments due (nominal)	172	650	1,124
Discount	-12	-136	-534
Present value	159	514	590
Operating leases 31/3/2016			
Future lease payments due (nominal)	598	1,982	2,442

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 31/3/2017			
Future lease payments due (nominal)	166	624	978
Discount	-10	-128	-460
Present value	157	496	518
Operating leases 31/3/2017			
Future lease payments due (nominal)	614	2,057	2,891

In H1 2016/17, contingent lease payments from finance leases recognised as expenses in combined profit or loss for the period amount to €2 million (H1 2015/16: €3 million). Contingent lease payments from operating leases recognised as expenses during the period amount to €6 million (H1 2015/16: €7 million).

6. Other financial and non-financial assets

	31/3/2016			31/3/2017		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Receivables due from suppliers	612	611	1	565	565	0
Miscellaneous financial assets	997	958	39	349	308	41
Other financial assets	**1,608**	**1,569**	**39**	**914**	**873**	**41**
Other tax receivables	321	321	0	321	321	0
Prepaid expenses and deferred charges	269	81	189	265	86	179
Miscellaneous non-financial assets	40	36	4	37	34	3
Other non-financial assets	**631**	**438**	**193**	**623**	**441**	**182**
Other financial and non-financial assets	**2,239**	**2,007**	**232**	**1,538**	**1,314**	**223**

The decline in "miscellaneous financial assets" largely results from the reduction in investment volumes in highly liquid money market funds by €610 million (31/3/2017: €0 million; 31/3/2016: €610 million).

7. Cash and cash equivalents

€ million	31/3/2016	31/3/2017
Cheques and cash on hand	50	62
Bank deposits and other financial assets with short-term liquidity	1,313	1,173
	1,363	**1,236**

8. Assets held for sale

The breakdown of assets held for sale is as follows:

€ million	31/3/2016	31/3/2017
Assets held for sale		
Real estate	19	2
	19	**2**

The key transactions are described in the following.

Real estate properties held for sale are measured at the lower of carrying amount and fair value less costs to sell. Due to reclassifications and disposals, the value of real estate properties held for sale changed from €17 million to €19 million during the first six months of financial year 2015/16. During the course of the financial year, additional reclassifications from non-current assets added €12 million to this item. In addition, the sale of real estate assets in the amount of €30 million caused "assets held for sale" to decline. In addition, this item was reduced to €0 million following the reintegration of real estate assets into non-current assets in the amount of €1 million as of 30 September 2016. The reclassification of individual assets into assets held for sale caused the value of individual properties held for sale to rise to €2 million in the first six months of the financial year.

9. Provisions for post-employment benefits plans and similar obligations

€ million	31/3/2016	31/3/2017
Provisions for post-employment benefits plans (employer's commitments)	414	408
Provisions for indirect commitments	29	54
Provisions for company pension plans	83	93
Provisions for obligations similar to pensions	51	55
	578	**610**

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.

For further details on the most important defined benefit pension plans, see the combined financial statements of MWFS GROUP.

10. Liabilities

€ million	Remaining term 31/3/2016 Total	Up to 1 year	1 to 5 years	Over 5 years	Remaining term 31/3/2017 Total	Up to 1 year	1 to 5 years	Over 5 years
Trade liabilities	**4,660**	**4,660**	**0**	**0**	**4,601**	**4,601**	**0**	**0**
Bonds	3,818	1,328	1,222	1,269	3,614	1,221	1,620	773
Liabilities to banks	353	229	80	45	319	175	129	15
Promissory note loans	120	0	66	54	63	9	54	0
Other borrowings	0	0	0	0	1	1	0	0
Liabilities from finance leases	1,264	91	371	802	1,171	91	373	707
Borrowings	**5,556**	**1,648**	**1,739**	**2,169**	**5,168**	**1,497**	**2,175**	**1,495**
Other tax liabilities	147	147	0	0	144	144	0	0
Prepayments received on orders	13	13	0	0	15	15	0	0
Payroll liabilities	479	479	0	0	472	472	0	0
Liabilities from other financial transactions	40	40	0	0	10	10	0	0
Deferred income	233	144	56	32	248	168	49	31
Miscellaneous liabilities	364	310	38	16	328	289	21	18
Other financial and non-financial liabilities	**1,277**	**1,134**	**95**	**48**	**1,217**	**1,098**	**70**	**49**
Income tax liabilities	**181**	**181**	**0**	**0**	**319**	**319**	**0**	**0**
	11,673	**7,622**	**1,834**	**2,217**	**11,304**	**7,514**	**2,245**	**1,545**

11. Other financial and non-financial liabilities

€ million	31/3/2016 Total	Remaining term Up to 1 year	Over 1 year	31/3/2017 Total	Remaining term Up to 1 year	Over 1 year
Payroll liabilities	479	479	0	472	472	0
Miscellaneous financial liabilities	373	331	43	288	265	23
Other financial liabilities	**853**	**810**	**43**	**760**	**736**	**23**
Other tax liabilities	147	147	0	144	144	0
Deferred income	233	144	89	248	168	80
Miscellaneous non-financial liabilities	44	33	12	66	50	15
Other non-financial liabilities	**424**	**324**	**100**	**458**	**362**	**96**
Other financial and non-financial liabilities	**1,277**	**1,134**	**143**	**1,217**	**1,098**	**119**

12. Carrying amounts and fair values according to measurement categories

The carrying amounts and fair values of recognised financial instruments are as follows:

	31/3/2016				
		Combined balance sheet value			
€ million	**Carrying amount**	**(Amortised) cost**	**Fair value through profit or loss**	**Fair value recognised in equity**	**Fair value**
Assets	**16,234**	**n/a**	**n/a**	**n/a**	**n/a**
Loans and receivables	**1,377**	**1,377**	**0**	**0**	**1,376**
Loans and advance credit granted	49	49	0	0	49
Receivables due from suppliers	612	612	0	0	612
Trade receivables	403	403	0	0	403
Miscellaneous financial assets	312	312	0	0	312
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**14**	**0**	**14**	**0**	**14**
Derivative financial instruments not in a hedging relationship according to IAS 39	14	0	14	0	14
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**620**	**9**	**0**	**611**	**n/a**
Investments	9	9	0	0	n/a
Securities	611	0	0	611	611
Derivative financial instruments in a hedging relationship according to IAS 39	**18**	**0**	**0**	**18**	**18**
Cash and cash equivalents	**1,363**	**1,363**	**0**	**0**	**1,363**
Receivables from finance leases (amount according to IAS 17)	**32**	**n/a**	**n/a**	**n/a**	**46**
Assets not classified according to IFRS 7	**12,809**	**n/a**	**n/a**	**n/a**	**n/a**
Equity and liabilities	**16,234**	**n/a**	**n/a**	**n/a**	**n/a**
Held for trading	**32**	**0**	**32**	**0**	**32**
Derivative financial instruments not in a hedging relationship according to IAS 39	32	0	32	0	32
Other financial liabilities	**9,766**	**9,766**	**0**	**0**	**9,901**
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	4,293	4,293	0	0	4,428
Trade liabilities	4,660	4,660	0	0	4,660
Miscellaneous financial liabilities	813	813	0	0	814
Derivative financial instruments ina hedging relationship according to IAS 39	**8**	**0**	**0**	**8**	**8**
Liabilities from finance leases (amount according to IAS 17)	**1,264**	**n/a**	**n/a**	**n/a**	**1,567**
Liabilities not classified according to IFRS 7	**5,165**	**n/a**	**n/a**	**n/a**	**n/a**

€ million	31/3/2017 Carrying amount	Combined balance sheet value (Amortised) cost	Fair value through profit or loss	Fair value recognised in equity	Fair value
Assets	**16,053**	**n/a**	**n/a**	**n/a**	**n/a**
Loans and receivables	**1,445**	**1,445**	**0**	**0**	**1,444**
Loans and advance credit granted	47	47	0	0	46
Receivables due from suppliers	565	565	0	0	565
Trade receivables	522	522	0	0	522
Miscellaneous financial assets	311	311	0	0	312
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**8**	**0**	**8**	**0**	**8**
Derivative financial instruments not in a hedging relationship according to IAS 39	8	0	8	0	8
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**29**	**28**	**0**	**1**	**n/a**
Investments	28	28	0	0	n/a
Securities	1	0	0	1	1
Derivative financial instruments in a hedging relationship according to IAS 39	**5**	**0**	**0**	**5**	**5**
Cash and cash equivalents	**1,236**	**1,236**	**0**	**0**	**1,236**
Receivables from finance leases (amount according to IAS 17)	**31**	**n/a**	**n/a**	**n/a**	**45**
Assets not classified according to IFRS 7	**13,299**	**n/a**	**n/a**	**n/a**	**n/a**
Equity and liabilities	**16,053**	**n/a**	**n/a**	**n/a**	**n/a**
Held for trading	**6**	**0**	**6**	**0**	**6**
Derivative financial instruments not in a hedging relationship according to IAS 39	6	0	6	0	6
Other financial liabilities	**9,348**	**9,348**	**0**	**0**	**9,442**
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	3,997	3,997	0	0	4,090
Trade liabilities	4,601	4,601	0	0	4,601
Miscellaneous financial liabilities	750	750	0	0	751
Derivative financial instruments in a hedging relationship according to IAS 39	**3**	**0**	**0**	**3**	**3**
Liabilities from finance leases (amount according to IAS 17)	**1,171**	**n/a**	**n/a**	**n/a**	**1,470**
Liabilities not classified according to IFRS 7	**5,525**	**n/a**	**n/a**	**n/a**	**n/a**

Classes were formed based on similar risks for the respective financial instruments and correspond to the categories of IAS 39. Derivative financial instruments in a hedging relationship under IAS 39 and other financial liabilities are assigned in each case to a separate class.

The fair value hierarchy comprises three levels which reflect the degree of how close to the market the input parameters used in the determination of the fair values are. 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 €28 million (H1 2015/16: €9 million), €28 million (H1 2015/16: €9 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.

In addition, securities in the amount of €1 million (H1 2015/16: €611 million) are recognised outside of profit or loss. In the previous year, this primarily concerned highly liquid exchange-listed money market funds.

Miscellaneous financial liabilities include liabilities from put options of non-controlling interests in the amount of €12 million (H1 2015/16: €26 million) and earn-out liabilities (contingent consideration in the context of corporate acquisitions) in the amount of €9 million (H1 2015/16: €20 million). Of these, €12 million (H1 2015/16: €26 million) are recognised outside of profit or loss and €9 million (H1 2015/16: €20 million) are recognised through profit or loss after initial recognition.

The following table depicts the financial instruments that are recognised at fair value in the balance sheet. These are classified into a three-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:

	31/3/2016				31/3/2017			
€ million	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets	**643**	**611**	**32**	**0**	**15**	**1**	**13**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	14	0	14	0	8	0	8	0
Available for sale								
Securities	611	611	0	0	1	1	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**18**	**0**	**18**	**0**	**5**	**0**	**5**	**0**
Equity and liabilities	**39**	**0**	**39**	**0**	**9**	**0**	**9**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	32	0	32	0	6	0	6	0
Derivative financial instruments in a hedging relationship according to IAS 39	**8**	**0**	**8**	**0**	**3**	**0**	**3**	**0**
	604	**611**	**-7**	**0**	**5**	**1**	**4**	**0**

The measurement of securities (level 1) is carried out based on quoted market prices on active markets.

Interest rate swaps and currency transactions (all level 2) are measured using the mark-to-market method based on quoted exchange rates and market yield curves.

The fair value of commodity derivatives (level 2) is calculated as the average of the past month's price noted on the exchange.

No transfers between levels 1 and 2 were conducted during the reporting period.

The measurement of liabilities from put options and earn-out liabilities, which are determined using the discounted cash flow method, is based on expected future cash flows over a detailed planning period of up to eleven years. In the first six months of the previous year, a perpetuity with a growth rate of 1 per cent was also considered to calculate a put option. In principle, the effective interest rate derived from the respective weighted average cost of capital (WACC) in initial recognition is used as the discount rate.

The put options of non-controlling interests and earn-out liabilities developed as follows:

€ million	**H1 2015/16**	**H1 2016/17**
As of 1/10	**121**	**31**
Additions	3	0
Changes in value	8	9
Disposals	-86	-20
As of 31/3	**46**	**20**

Additions totalling €3 million in H1 2015/16 are connected to acquisitions of subsidiaries.

Changes in value of €9 million (H1 2015/16: €8 million) relate to put options of non-controlling interests included in other changes in net assets allocable to METRO GROUP in the combined statement of changes in equity.

Disposals of €20 million (H1 2015/16: €86 million) result from redemptions of liabilities from put options and earn-out liabilities.

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 three-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 curves as of the closing date (level 2).

Other notes

13. Notes to the combined cash flow statement

The combined cash flow statement describes changes in the combination group's position of cash and cash equivalents through cash inflows and outflows during H1 2016/17 and H1 2015/16.

Cash flow from operating activities:

Between October 2016 and March 2017, cash outflow from operating activities amounted to €135 million (H1 2015/16: cash inflow of €181 million). The development is mostly due changes in net working capital which is driven by the Easter holidays in April 2017 as opposed to March 2016. In the previous year's first half, the gain from the disposal of the Vietnamese business including the associated real estate assets that was included in EBIT was adjusted in the "others" line item.

Cash flow from investing activities:

Outflows from investing activities totalled €334 million (H1 2015/16: cash inflow of €155 million) and comprises mostly investments in property, plant and equipment, investments in and divestments of monetary assets as well as the cash outflow from the acquisition of Pro à Pro group. The previous financial year's figure included the cash inflow from the sale of METRO Cash & Carry Vietnam.

Cash flow from financing activities:

Cash flow from financing activities showed inflows of €95 million (H1 2015/16: cash outflow of €2,396 million). This is especially the result of the inflows from new borrowings in the amount of €1,542 million (H1 2015/16: 400 million) and lower outflows from redemption of borrowings of €1,100 million (H1 2015/16: 2,685 million). In the first half of the current financial year, this figure includes the timely repayment of a bond's outstanding amount of €622 million. In the previous financial year's half, the cash proceeds from having divested GALERIA Kaufhof group, which were recognized as a contribution to equity in the financial year 2014/15, were used to repay financial debt. The line item "profit and loss transfers and other financing activities" includes in the current financial year the payment of €221 million to CE GROUP in the context of providing the initial liquidity position. Cash contribution to and cash withdrawals from equity (transactions with METRO GROUP) did not take place in the first half of the financial year 2016/17. Please see the section *"Accounting principles and methods applied to the condensed combined interim financial statements"* for cash contributions to and cash withdrawals from equity in H1 2015/16.

14. Segment reporting

The segmentation corresponds to MWFS 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.

Aside from the information on the reporting segments, equivalent information is provided on the MWFS GROUP's 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 combination group.
- Internal sales represent sales between the group's operating segments.
- Segment EBITDA comprises EBIT before depreciation, amortisation and impairment losses and reversals of impairment losses of property, plant and equipment, goodwill, other intangible assets and investment properties.
- EBIT as the key ratio for segment reporting describes operating earnings for the period before net financial result and income taxes. Rental contracts within the combination group are shown as operating leases in the segments. The properties are leased at market rates. In principle, store-related risks and recoverability risks related to non-current assets

are only shown in the segments where they represent risks for MWFS GROUP. In analogy, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in the combined balance sheet.

— Transactions that do not regularly recur are adjusted in EBITDA before special items and EBIT before special items. For explanations and definitions of special items, see no. 15 – *special items.*

— Segment investments include additions (including additions to the combination group) to goodwill, other intangible assets, property, plant and equipment as well as investment properties, except for additions due to the reclassification of "assets held for sale" as non-current assets.

— Non-current segment assets include non-current assets. They do not include mostly financial assets, investments accounted for using the equity method, tax items and assets allocable to discontinued operations.

In principle, transfers between segments are made based on the costs incurred from the perspective of the combination group.

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	H1 2015/16	H1 2016/17	Q2 2015/16	Q2 2016/17
EBITDA before special items	**836**	**956**	**149**	**264**
Changes in the combination portfolio	444	0	16	0
Restructuring and efficiency-enhancing measures	-76	-69	-69	1
Other special items	2	-27	2	-14
Reported EBITDA	**1,207**	**859**	**100**	**251**

€ million	H1 2015/16	H1 2016/17	Q2 2015/16	Q2 2016/17
EBIT before special items	**502**	**610**	**-24**	**91**
Changes in the combination portfolio	444	0	16	0
Restructuring and efficiency-enhancing measures	-75	-79	-67	1
Other special items	2	-27	2	-14
Reported EBIT	**874**	**504**	**-73**	**78**

The reconciliation from non-current segment assets to assets of the combination group is shown in the following table:

€ million	31/3/2016	31/3/2017
Segment assets (non-current)	**8,393**	**8,757**
Non-current and current financial assets	50	82
Investments accounted for using the equity method	183	182
Cash and cash equivalents	1,363	1,236
Deferred tax assets	532	524
Entitlements to income tax refunds	98	124
Other entitlements to tax refunds[1]	321	321
Inventories	3,184	3,309
Trade receivables	403	522
Receivables due from suppliers[1]	611	565
Receivables in the real estate area[1]	28	15
Credit card receivables[1]	67	63
Prepaid expenses and deferred charges[1]	81	86
Receivables from other financial transactions[1]	720	45
Assets held for sale[1]	19	2
Other[2]	180	220
Assets of the combination group	**16,234**	**16,053**

1 Shown in the combined balance sheet under other financial and non-financial assets (current)
2 Shown in the combined balance sheet under other financial and non-financial assets (non-current and current)

15. Special items

In segment reporting, special items include transactions that do not recur on an annual basis such as restructurings or changes to the combination portfolio. Reporting before special items better reflects the company's operating performance from the management perspective and thus renders the earnings presentation more meaningful.

MWFS GROUP distinguishes between four categories of special items:

— Risk provisions and impairment losses on goodwill

— Restructuring and efficiency-enhancing measures

— Changes in the combination portfolio

— Other special items

Efficiency-enhancing measures essentially concern events related to adjustments in personnel structures or store closures. The category "changes in the combination portfolio" comprise special items that primarily result from the disposal and closure of national subsidiaries. Other special items include litigation expenses. In the six-month period 2016/17, other special items also include one-time expenses in connection with preparing the demerger of METRO Group.

In H1 2016/17, MWFS GROUP's EBITDA of €859 million was €347 million lower than in the same period a year earlier(H1 2015/16: €1,207 million). However, this figure includes negative special items totalling €96 million (H1 2015/16: positive special items of €370 million). They are comprised of expenses for restructurings and efficiency-enhancing measures of €69 million (H1 2015/16: €76 million), expenses for other special items in the amount of €27 million (H1 2015/16: positive special items of €2 million) and expenses from changes in the combination portfolio in the amount of €0 million (H1 2015/16: positive special items of €444 million).

At €504 million, EBIT in H1 2016/17 was €369 million lower than the first half of the previous year (H1 2015/16: €874 million). This figure includes negative special items totalling €106 million (H1 2015/16: positive special items of €372 million). Of this, €79 million (H1 2015/16: €75 million) related to expenses from restructuring and efficiency-enhancing measures, €27 million (H1 2015/16: positive special items of €2 million) to expenses for other special items and €0 million (H1 2015/16: positive special items of €444 million) to changes in the combination portfolio.

METRO Cash & Carry (in the future: METRO Wholesale)

In H1 2016/17, EBITDA of METRO Cash & Carry totalled €755 million (H1 2015/16: €1,079 million). This figure includes negative special items from restructuring and efficiency-enhancing measures of €22 million. In the previous year's first half, positive special items of €373 million were the result of changes in the combination portfolio in the amount of €445 million and negative special items from restructuring and efficiency-enhancing measures of €72 million.

In H1 2016/17, EBIT totalled €534 million (H1 2015/16: €872 million). This figure includes negative special items totalling €31 million (H1 2015/16: positive special items of €373 million). In H1 2016/17, negative special items exclusively resulted from expenses for restructuring and efficiency-enhancing measures. The composition of positive special items totalling €373 million was explained in the previous paragraph. EBIT before special items grew by €66 million in the six-month period 2016/17 to €565 million from €449 million in the six-month period 2015/16. The improvement is significantly supported by a real estate transaction in China totalling €81 million.

Real

In H1 2016/17, EBITDA at Real stood at €93 million (H1 2015/16: €138 million). This includes a net position of negative special items totalling €47 million, of which special items relating to the reorganisation and restructuring of the administrative departments in the amount of €49 million. The previous year's figures do not include any special items.

In H1 2016/17, EBIT totalled €24 million (H1 2015/16: €69 million). This figure includes negative special items totalling €47 million (H1 2015/16: €0 million). The composition of these special

items was described in the previous paragraph. EBIT before special items totalling €70 million (H1 2015/16: €69 million) includes a one-time gain from a real estate transaction.

Others

EBITDA in the Others segment amounted to €15 million in H1 2016/17 (H1 2015/16: €-4 million). This figure includes negative special items totalling €28 million (H1 2015/16: €1 million). These essentially result from expenses for other special items in the amount of €27 million (H1 2015/16: positive special items of €2 million) and primarily relate to one-time expenses in connection with the preparations for the demerger of METRO GROUP. In addition, this figure includes negative special items from changes in the combination portfolio of below €1 million (H1 2015/16: below €1 million) as well as expenses for restructuring and efficiency-enhancing measures of €3 million in the previous year's first half.

EBIT totalled €-51 million (H1 2015/16: €-64 million). Negative special items amounted to €28 million (H1 2015/16: €1 million). The composition of these special items was described in the previous paragraph. EBIT before special items amounted to €-23 million in H1 2016/17 (H1 2015/16: €-62 million); the improvement in EBIT before special items amounted to €-23 million in H1 2016/17 (H1 2015/16: €-62 million) is primarily due to a real estate transaction in Germany in the first quarter 2016/17.

16. Contingent liabilities

€ million	31/3/2016	31/3/2017
Liabilities from suretyships and guarantees	14	12
Liabilities from guarantee and warranty contracts	59	52
	74	**64**

Liabilities from guarantee and warranty contracts are primarily rent guarantees with terms of up to ten years if utilisation in each case was not considered entirely unlikely.

17. Other financial commitments

As of 31 March 2017, the nominal value of other financial commitments amounted to €374 million (31/3/2016: €403 million) and primarily concerned purchasing commitments from service agreements.

For more information on purchasing commitments for other intangible assets, property, plant and equipment and payments due under finance and operating leases, see no. 4 – *other intangible assets* and no. 5 – *property, plant and equipment.*

18. Remaining legal issues

Annual General Meetings of METRO AG and METRO Wholesale & Food Specialist AG

The Annual General Meetings of METRO AG and METRO Wholesale & Food Specialist AG approved the hive-down and spin-off agreement (demerger agreement) between METRO AG and METRO Wholesale & Food Specialist AG on 6 February 2017 and 10 February 2017, respectively. Since then, the 20-member Supervisory Board of METRO Wholesale & Food Specialist AG has been newly appointed; Mr Jürgen B. Steinemann was elected as Chairman of the Supervisory Board of METRO Wholesale & Food Specialist AG.

In connection with the planned demerger of METRO GROUP, several shareholders have filed actions to set aside or declare void (Anfechtungs- oder Nichtigkeitsklage) and/or for declaratory judgement (Allgemeine Feststellungsklage) with various lines of argumentation against, among others, the resolution of METRO AG's Annual General Meeting to approve the demerger agreement and partly with regard to the agreement itself. All of these legal actions are pending at the district court of Düsseldorf. The actions filed against the demerger resolution of the Annual General Meeting initially prevented the registration of the approval within the commercial register of METRO AG.

In relation to the above-mentioned legal actions, METRO AG filed a motion for expedited registration (Freigabeverfahren) in accordance with the German Transformation Act (Umwandlungsgesetz) at the higher regional court (Oberlandesgericht) of Düsseldorf. On 22 June 2017, the court decided after a hearing that the actions to set aside or declare void the

resolution of the Annual General Meeting do not impede the registration of the hive-down and spin-off within the commercial registers of METRO AG and METRO Wholesale & Food Specialist AG, respectively. Due to the motion for expedited registration being inadmissible with respect to the actions for declaratory judgement, the higher regional court of Düsseldorf rejected the motion partially. Despite this rejection, the competent commercial register is not impeded to register the hive-down and spin-off.

Other legal issues

Companies of the combination group are parties to other judicial or arbitral 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 companies of the combination group are increasingly exposed to regulatory changes related to procurement and changed sales tax regulations in some countries. With respect to procurement, this has meant that the procurement models of certain national subsidiaries, for example in Russia and the Czech Republic, have had to be adapted to the new regulatory parameters through complex change processes.

MWFS GROUP companies claim damages against companies that have violated the provisions of antitrust law to the detriment of MWFS GROUP, for example, against certain credit card companies or sugar manufacturers.

19. Events after the half-year closing date

Between the closing date of the half-year financial statements and the preparation of the condensed combined interim financial statements for the six months ended 31 March 2017, the following events of material importance to an assessment of the asset, financial and earnings position of MWFS GROUP occurred.

Special proceedings pursuant to §§ 125 sentence 1, 16 section 3 of the German Transformation Act (Umwandlungsgesetz)

Please see our explanations in no. 18 – *remaining legal issues*.

20. Notes on related parties

MWFS GROUP maintains business relationships with CE GROUP companies. For the purpose of these combined interim financial statements, the CE GROUP companies are considered related parties to METRO Wholesale & Food Specialist AG since they were controlled by METRO AG during the reporting period.

Transactions of MWFS GROUP with equity-accounted associates and their subsidiaries and joint ventures are reported separately.

As a rule, transactions with other CE GROUP companies are recognised on the basis of costs incurred from the METRO Wholesale & Food Specialist AG perspective.

Legal structuring of METRO GROUP

In preparation for the demerger of METRO GROUP, various restructurings of existing shareholdings are required to achieve the target structure of MWFS GROUP. For more information on legal restructurings that were implemented by 30 September 2016, see the detailed explanations in the combined financial statements of MWFS GROUP as of 30 September 2016.

In H1 2016/17 (November 2016), METRO Wholesale & Food Specialist GmbH changed its legal form to that of a stock corporation, followed by a capital reduction to €33 million.

Once the demerger has become legally effective, the MWFS division will be transferred to METRO Wholesale and Food Specialist AG from METRO AG, with METRO AG being granted ordinary and preference shares in METRO Wholesale & Food Specialist AG. Once the spin-off has become legally effective, the 100 per cent stake of METRO AG in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH (MGLEH), among others, will be transferred to METRO Wholesale & Food Specialist AG, with the shareholders of METRO AG being granted

ordinary and preference shares in METRO Wholesale & Food Specialist AG. At the time these combined interim consolidated financial statements were prepared, the hive-down and spin-off had not yet been implemented. Both will become legally effective with their entry into the commercial register. The actions filed against the demerger resolution of the Annual General Meeting of 6 February 2017 prevented the registration in the commercial register of METRO AG. For more information on the actions to set aside or declare void filed against the hive-down and spin-off resolution at the METRO AG Annual General Meeting on 6 February 2017, see the explanations in no. 19 – *events after the half-year closing date.*

Goods and services trading as well as financing activities

The relationships with related parties described in the combined interim financial statements as of 31 March 2017 are characterised by METRO GROUP-wide procurement and sales activities as well as central administrative and service functions. These relationships result or resulted in comprehensive mutual obligations and intra-group transactions.

€ million	H1 2015/16 31/3/2016	H1 2016/17 31/3/2017	Q2 2015/16 31/3/2016	Q2 2016/17 31/3/2017
Income	**57**	**51**	**28**	**26**
CE GROUP	57	48	28	25
Associates	0	0	0	0
Other related parties	0	3	0	1
Expenses	**52**	**64**	**25**	**37**
CE GROUP	9	11	3	6
Associates	37	42	19	22
Other related parties	6	11	3	9
Receivables	**11**	**22**	**–**	**–**
CE GROUP	11	17	–	–
Associates	0	0	–	–
Other related parties	0	5	–	–
Liabilities	**3**	**7**	**–**	**–**
CE GROUP	2	3	–	–
Associates	0	0	–	–
Other related parties	1	4	–	–

Transactions with CE GROUP companies

In the combined interim financial statements as of 31 March 2017, income, expenses, receivables and liabilities from services rendered and received by MWFS GROUP in the context of transactions with CE GROUP companies can be broken down as follows:

Services rendered from business with related parties of CE GROUP companies essentially comprise income from sourcing synergies and rental income. Income from sourcing synergies shown in the combined interim financial statements for H1 2016/17 amounts to €26 million (H1 2015/16: €32 million). Rental income in H1 2016/17 totals €9 million (H1 2015/16: €10 million). In addition, rendered services include income from other services at €3 million (H1 2015/16: €6 million).

Services received by CE GROUP companies essentially relate to procurement logistics.

As of 31 March 2017, receivables from services provided to CE GROUP companies amounted to €17 million (31/3/2016: €11 million). These primarily relate to passed-on service costs. As of 31 March 2017, liabilities towards CE GROUP totalled €3 million (31/3/2016: €2 million).

Transactions with associates and other related parties

Income, expenses, receivables and liabilities from rendered and received services with associates of the combination group and other related parties can be broken down as follows:

In H1 2016/17, companies of the combination group received rental services from associates totalling €42 million(H1 2015/16: €37 million). These primarily concern lease payments by

METRO Cash & Carry France to OPCI FRENCH WHOLESALE STORES - FWS. The rental services to be received from associates over the coming years are expected to remain at largely the same level and are included in notes on leases in no. 5 – *property, plant and equipment.*

In H1 2016/17, services received from other related parties in the amount of €4 million (H1 2015/16: €4 million) relate to hygiene and textile services of the CWS boco group, a Haniel group company. Rental services received from other related parties amounted to €1.3 million in H1 2016/17 (H1 2015/16: €1.5 million).

The rental services to be received from related parties over the coming years are expected to remain at largely the same level and are included in notes on leases in no. 5 – *property, plant and equipment.*

Related parties (remuneration of key management personnel)

The management in key positions at MWFS GROUP consists of members of the Management Board and Supervisory Board of METRO AG as the Management Board and Supervisory Board of METRO AG are responsible for the relevant areas of competence of the management in key positions of METRO Wholesale & Food Specialist AG.

Different from the combined financial statements and in H1 2015/16, the expenses for the Management Board of METRO AG that are economically attributable to MWFS GROUP were not calculated on the basis of an allocation key based on employee numbers in the combined interim financial statements. Instead, the financial data for the economic activities of MWFS GROUP presented here were taken from the separate accounting area that was set up for MWFS-related activities within METRO AG as of H1 2016/17, which corresponds to the regulations of the Transitional Service Agreement (TSA).

Compensation of members of the Management Board of METRO AG in H1 2016/17 calculated based on the TSA amounted to €3.0 million (H1 2015/16: €3.4 million), together with expenses for post-employment benefits amounting to €0.4 million(H1 2015/16: €0.2 million). The expenses for long-term incentive programmes existing in H1 2016/17, calculated in accordance with IFRS 2, amounted to €3.8 million (H1 2015/16: €2.5 million).

The short-term compensation of members of the Supervisory Board of METRO AG for H1 2016/17, still calculated using the headcount-based allocation key, amounted to €0.8 million (H1 2015/16: €0.8 million).

Total compensation of key management personnel in H1 2016/17 as specified in the TSA amounted to €8.0 million (H1 2015/16: €6.9 million).

Insurance policies

To a limited extent, individual insurance risks of MWFS GROUP were settled through METRO GROUP's insurance policies in H1 2016/17. The associated costs were borne by the MWFS GROUP companies. All other group policies were terminated as of 30 September 2016 and have been replaced by separate insurance coverage for MWFS GROUP.

23 June 2017

The Management Board of METRO AG

Olaf Koch Pieter C. Boone Mark Frese Pieter Haas Heiko Hutmacher

20.2. MWFS Group Audited Combined Financial Statements Prepared in Accordance with IFRS for the Financial Years Ended September 30, 2016, 2015 and 2014

MWFS GROUP COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2016, 2015 AND 2014

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These combined financial statements are a translation of the respective German-language document.

Combined income statement for financial years 2015/16, 2014/15 and 2013/14

€ million	Note no.	2013/14	2014/15	2015/16
Sales	**1**	**38,970**	**37,496**	**36,549**
Cost of sales		-31,668	-30,421	-29,560
Gross profit on sales		**7,302**	**7,075**	**6,989**
Other operating income	2	1,357	1,264	1,462
Selling expenses	3	-6,680	-6,350	-6,171
General administrative expenses	4	-861	-992	-1,058
Other operating expenses	5	-119	-137	-105
Earnings share of operating companies recognised at equity	6	0	0	102
Earnings before interest and taxes EBIT		**999**	**860**	**1,219**
Earnings share of non-operating companies recognised at equity	6	9	2	3
Other investment result	7	78	1	-3
Interest income	8	42	55	65
Interest expenses	8	-404	-309	-276
Other financial result	9	-255	-143	-114
Net financial result		**-530**	**-394**	**-325**
Combined earnings before taxes EBT		**469**	**466**	**894**
Income taxes	11	-413	-201	-375
Combined profit or loss for the period after taxes		**56**	**265**	**519**
Combined profit or loss for the period attributable to non-controlling interests	12	16	11	13
Combined profit or loss for the period attributable to METRO GROUP		40	254	506
Earnings per share in €	**13**	**0.11**	**0.70**	**1.39**

Reconciliation from combined profit or loss for the period to combined total comprehensive income for financial years 2015/16, 2014/15 and 2013/14

€ million	2013/14	2014/15	2015/16
Combined profit or loss for the period after taxes	**56**	**265**	**519**
Combined other comprehensive income			
Items of combined other comprehensive income that will not be reclassified subsequently to profit or loss	**-158**	**24**	**-67**
Remeasurement of defined benefit pension plans	-173	38	-95
Income tax attributable to items of combined other comprehensive income that will not be reclassified subsequently to profit or loss	15	-14	28
Items of combined other comprehensive income that may be reclassified subsequently to profit or loss	**-76**	**-187**	**49**
Currency translation differences from translating the financial statements of foreign operations	-15	-177	44
Effective portion of gains/losses from cash flow hedges	21	-10	1
Gains/losses on remeasuring financial instruments in the category “available for sale”	-70	0	0
Income tax attributable to items of combined other comprehensive income that may be reclassified subsequently to profit or loss	-12	0	4
Combined other comprehensive income	**-234**	**-163**	**-18**
Combined total comprehensive income	**-178**	**102**	**501**
Combined total comprehensive income attributable to non-controlling interests	19	12	13
Combined total comprehensive income attributable to METRO GROUP	-197	90	488

Combined balance sheet for the financial years ended 30 September 2016, 2015 and 2014

Assets

€ million	Note no.	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Non-current assets		**10,392**	**9,396**	**9,284**	**9,434**
Goodwill	18	657	651	804	852
Other intangible assets	19	258	254	371	420
Property, plant and equipment	20	7,855	7,250	6,833	6,979
Investment properties	21	183	249	218	163
Financial assets	22	384	103	43	89
Investments accounted for using the equity method	22	132	95	184	183
Other financial and non-financial assets	23	311	257	248	239
Deferred tax assets	24	612	537	583	509
Current assets		**7,297**	**7,707**	**9,441**	**6,558**
Inventories	25	3,193	3,224	3,117	3,063
Trade receivables	26	380	402	434	493
Financial assets		12	26	5	0
Other financial and non-financial assets	23	1,799	1,941	2,115	1,280
Entitlements to income tax refunds		115	135	84	123
Cash and cash equivalents	29	1,506	1,512	3,436	1,599
Assets held for sale	30	292	467	250	0
Assets		**17,689**	**17,103**	**18,725**	**15,992**

Equity and liabilities

€ million	Note no.	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Equity	**31**	**989**	**826**	**2,651**	**2,924**
Net assets attributable to METRO GROUP		1,416	1,473	3,458	3,748
Other items of equity		-439	-678	-841	-860
Non-controlling interests		12	31	34	36
Non-current liabilities		**6,430**	**5,209**	**5,834**	**4,954**
Provisions for post-employment benefits plans and similar obligations	32	500	592	547	646
Other provisions	33	240	291	358	297
Borrowings	34, 36	5,520	4,163	4,714	3,796
Other financial and non-financial liabilities	34, 37	123	110	143	127
Deferred tax liabilities	24	47	53	72	88
Current liabilities		**10,270**	**11,068**	**10,240**	**8,114**
Trade liabilities	34, 35	5,310	5,218	5,011	4,892
Provisions	33	444	466	499	559
Borrowings	34, 36	2,528	3,425	2,961	944
Other financial and non-financial liabilities	34, 37	1,489	1,490	1,459	1,591
Income tax liabilities	34	235	264	116	128
Liabilities related to assets held for sale	30	264	205	194	0
Equity and liabilities		**17,689**	**17,103**	**18,725**	**15,992**

Combined statement of changes in equity[1] for the financial years ended 30 September 2016, 2015 and 2014

€ million	Net assets attributable to METRO GROUP	Effective portion of gains/losses from cash flow hedges	Gains/losses on remeasuring financial instruments in the category "available for sale"	Currency translation differences from the conversion of the accounts of foreign operations	Remeasurements of defined benefit pension plans	Income tax on components of combined other comprehensive income	Other items of equity (total)	Total equity before non-controlling interests	Non-controlling interests	Total equity
1/10/2013	**1,416**	**56**	**70**	**-365**	**-273**	**73**	**-439**	**977**	**12**	**989**
Dividends	0	0	0	0	0	0	0	0	-10	-10
Combined total comprehensive income	37	21	-70	-15	-173	3	-234	-197	19	-178
thereof combined profit or loss for the period	(40)	(0)	(0)	(0)	(0)	(0)	(0)	(40)	(16)	(56)
thereof combined other comprehensive income	(-3)	(21)	(-70)	(-15)	(-173)	(3)	(-234)	(-237)	(3)	(-234)
Transactions with METRO GROUP	25	0	0	0	0	0	0	25		25
thereof dividend payment of METRO AG	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)		(0)
thereof contributions / withdrawals	(25)	(0)	(0)	(0)	(0)	(0)	(0)	(25)	(0)	(25)
Other changes	-5	0	0	0	0	-5	-5	-10	10	0
30/9 / 1/10/2014	**1,473**	**77**	**0**	**-380**	**-446**	**71**	**-678**	**795**	**31**	**826**
Dividends	0	0	0	0	0	0	0	0	-14	-14
Combined total comprehensive income	253	-10	0	-177	38	-14	-163	90	12	102
thereof combined profit or loss for the period	(254)	(0)	(0)	(0)	(0)	(0)	(0)	(254)	(11)	(265)
thereof combined other comprehensive income	(-1)	(-10)	(0)	(-177)	(38)	(-14)	(-163)	(-164)	(1)	(-163)
Transactions with METRO GROUP	1,752	0	0	0	0	0	0	1,752	0	1,752
thereof dividend payment of METRO AG	(-295)	(0)	(0)	(0)	(0)	(0)	(0)	(-295)	(0)	(-295)
thereof contributions / withdrawals	(2,047)	(0)	(0)	(0)	(0)	(0)	(0)	(2,047)	(0)	(2,047)
Other changes	-20	0	0	0	0	0	0	-20	5	-15
30/9 / 1/10/2015	**3,458**	**67**	**0**	**-557**	**-408**	**57**	**-841**	**2,617**	**34**	**2,651**
Dividends	0	0	0	0	0	0	0	0	-15	-15
Combined total comprehensive income	506	1	0	44	-95	32	-18	488	13	501
thereof combined profit or loss for the period	(506)	(0)	(0)	(0)	(0)	(0)	(0)	(506)	(13)	(519)
thereof combined other comprehensive income	(0)	(1)	(0)	(44)	(-95)	(32)	(-18)	(-18)	(0)	(-18)
Transactions with METRO GROUP	-193	0	0	0	0	0	0	-193	(0)	-193
thereof dividend payment of METRO AG	(-327)	(0)	(0)	(0)	(0)	(0)	(0)	(-327)	(0)	(-327)
thereof contributions / withdrawals	(134)	(0)	(0)	(0)	(0)	(0)	(0)	(134)	(0)	(134)
Other changes	-23	0	0	0	0	-1	-1	-24	4	-20
30/9/2016	**3,748**	**68**	**0**	**-513**	**-503**	**88**	**-860**	**2,888**	**36**	**2,924**

[1] Changes in equity are explained in the notes to the combined financial statements in no. 31 – equity

Combined cash flow statement[1] for financial years 2015/16, 2014/15 and 2013/14

€ million	2013/14	2014/15	2015/16
EBIT	999	860	1,219
Depreciation/amortisation/impairment losses excl. financial investments	754	746	699
Change in provisions for post-employment benefits plans and other provisions	41	-40	61
Change in net working capital	-108	-47	-77
Income taxes paid	-356	-376	-203
Reclassification of gains (–) from the disposal of fixed assets	-163	-198	-158
Other	-43	307	-368
Cash flow from operating activities	**1,124**	**1,252**	**1,173**
Acquisition of subsidiaries	0	-241	-81
Investments in property, plant and equipment (excl. finance leases)	-571	-705	-592
Other investments	-335	-590	-234
Disposals of subsidiaries	-89	66	359
Disposal of fixed assets	441	445	902
Gains (+) from the disposal of fixed assets	163	198	158
Cash flow from investing activities	**-391**	**-827**	**512**
Dividends attributable to non-controlling interests	-10	-14	-15
Redemption of liabilities from put options of non-controlling interests	0	0	-86
New borrowings	3,868	3,733	540
Redemption of borrowings	-4,255	-3,782	-3,686
Interest paid	-398	-288	-273
Interest received	40	54	76
Profit or loss transfers and other financing activities	-101	-112	-46
Transactions with METRO GROUP	127	1,896	-23
thereof dividend payment of METRO AG	(0)	(-295)	(-327)
thereof cash contributions	(177)	(2,570)	(523)
thereof cash withdrawals	(-50)	(-379)	(-219)
Cash flow from financing activities	**-729**	**1,487**	**-3,513**
Total cash flows	**4**	**1,912**	**-1,828**
Currency effects on cash and cash equivalents	4	12	-11
Total change in cash and cash equivalents	**8**	**1,924**	**-1,839**
Total cash and cash equivalents as of 1 October	1,506	1,514	3,438
Cash and cash equivalents shown under IFRS 5 assets	0	2	2
Cash and cash equivalents as of 1 October	**1,506**	**1,512**	**3,436**
Total cash and cash equivalents as of 30 September	1,514	3,438	1,599
Cash and cash equivalents shown under IFRS 5 assets	2	2	0
Cash and cash equivalents as of 30 September	**1,512**	**3,436**	**1,599**

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Segment reporting[1]

Operating segments

€ million	METRO Cash & Carry (in the future: METRO Wholesale)				Real				Others				Reconciliation to the combined financial statements				MWFS GROUP			
	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16
External sales (net)	—	30,516	29,692	29,000	—	8,390	7,736	7,478	—	64	67	72	—	0	0	0	—	38,970	37,496	36,549
Internal sales (net)	—	45	9	9	—	0	6	9	—	5,795	665	96	—	-5,840	-680	-114	—	0	0	0
Sales (net)	—	30,560	29,701	29,009	—	8,390	7,743	7,486	—	5,860	732	168	—	-5,840	-680	-114	—	38,970	37,496	36,549
EBITDA[2]	—	1,460	1,455	1,700	—	175	142	250	—	119	20	-23	—	-1	-10	-9	—	1,753	1,606	1,918
EBITDA before special items[2]	—	1,546	1,461	1,464	—	219	222	247	—	198	97	89	—	-5	-10	-9	—	1,957	1,771	1,791
Depreciation/ amortisation/ impairment losses	—	462	456	430	—	148	133	141	—	160	176	142	—	-6	-4	-4	—	764	760	710
Reversals of impairment losses	—	1	13	0	—	0	0	0	—	9	1	10	—	0	0	0	—	10	14	11
EBIT[2]	—	999	1,013	1,271	—	28	10	108	—	-32	-155	-156	—	5	-7	-5	—	999	860	1,219
EBIT before special items[2]	—	1,131	1,061	1,048	—	90	93	105	—	53	-66	-43	—	1	-6	-5	—	1,275	1,081	1,106
Investments	—	441	750	614	—	172	241	260	—	144	165	133	—	0	0	0	—	757	1,155	1,007
Long-term segment assets	6,846	6,477	6,296	6,418	1,024	1,006	1,110	1,214	1,451	1,213	1,096	1,041	-58	-39	-28	-21	9,263	8,656	8,474	8,652

Regional segments

€ million	Germany				Western Europe (excl. Germany)[3]				Eastern Europe[4]				Asia				International				Reconciliation to the combined financial statements[5]				MWFS GROUP			
	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16
External sales (net)	—	12,766	12,478	12,279	—	10,547	10,247	10,173	—	11,924	10,441	9,828	—	3,733	4,330	4,269	—	26,204	25,018	24,270	—	0	0	0	—	38,970	37,496	36,549
Internal sales (net)	—	58	49	75	—	113	149	175	—	0	0	0	—	23	25	24	—	136	174	199	—	-193	-223	-274	—	0	0	0
Sales (net)	—	12,823	12,526	12,354	—	10,660	10,396	10,348	—	11,924	10,441	9,828	—	3,755	4,355	4,292	—	26,340	25,192	24,469	—	-193	-223	-274	—	38,970	37,496	36,549
EBITDA[2]	—	290	125	151	—	432	507	380	—	934	822	738	—	99	162	650	—	1,465	1,491	1,768	—	-2	-9	-1	—	1,753	1,606	1,918
EBITDA before special items[2]	—	420	295	320	—	495	498	487	—	932	824	780	—	112	163	205	—	1,540	1,485	1,472	—	-2	-9	-1	—	1,957	1,771	1,791
Depreciation/ amortisation/ impairment losses	—	340	368	342	—	131	121	123	—	239	203	176	—	54	68	68	—	424	392	367	—	0	0	0	—	764	760	710
Reversals of impairment losses	—	0	0	10	—	0	9	0	—	9	2	0	—	1	4	0	—	10	14	0	—	0	0	0	—	10	14	11
EBIT[2]	—	-50	-243	-182	—	301	395	258	—	704	621	561	—	46	97	582	—	1,051	1,112	1,401	—	-2	-9	-1	—	999	860	1,219
EBIT before special items[2]	—	89	-58	-12	—	384	388	372	—	745	650	610	—	59	110	137	—	1,188	1,148	1,118	—	-2	-9	-1	—	1,275	1,081	1,106
Investments	—	356	448	556	—	128	164	184	—	199	195	170	—	75	349	97	—	402	707	451	—	0	0	0	—	757	1,155	1,007
Long-term segment assets	3,101	2,998	2,988	2,923	1,505	1,495	1,520	1,971	3,655	3,278	2,753	2,696	1,004	888	1,216	1,063	6,164	5,661	5,488	5,730	-3	-3	-2	-2	9,263	8,656	8,474	8,652

1 Segment reporting is explained in the notes to the combined financial statements in no. 42 – segment reporting

2 The figure for financial year 2015/16 includes income from operating companies recognised at equity in the amount of €102 million which essentially relates to the Others or Germany segments.

3 Includes external sales of €4,151 million for France in the financial year 2015/16 (2014/15: €4,150 million; 2013/14: €4,147 million) as well as long-term segment assets in the amount of €811 million as of 30 September 2016 (30/9/2015: €390 million; 30/9/2014: €380 million; 1/10/2013: €368 million).

4 Includes external sales of €3,040 million for Russia in the financial year 2015/16 (2014/15: €3,485 million; 2013/14: €4,271 million) as well as long-term segment assets in the amount of €1,098 million as of 30 September 2016 (30/9/2015: €892 million; 30/9/2014: €1,169 million; 1/10/2013: €1,236 million).

5 Also includes consolidation effects between the regions outside of Germany

Special items[1]

Special items

by sales line

€ million		As reported			Special items			Before special items		
		2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
EBITDA		**1,753**	**1,606**	**1,918**	**204**	**165**	**-127**	**1,957**	**1,771**	**1,791**
thereof	METRO Cash & Carry (in the future: METRO Wholesale)	1,460	1,455	1,700	86	7	-236	1,546	1,461	1,464
	Real	175	142	250	43	80	-3	219	222	247
	Others	119	20	-23	79	77	112	198	97	89
	Consolidation	-1	-10	-9	-4	1	0	-5	-10	-9
EBIT		**999**	**860**	**1,219**	**275**	**221**	**-113**	**1,275**	**1,081**	**1,106**
thereof	METRO Cash & Carry (in the future: METRO Wholesale)	999	1,013	1,271	133	48	-222	1,131	1,061	1,048
	Real	28	10	108	62	83	-3	90	93	105
	Others	-32	-155	-156	85	89	112	53	-66	-43
	Consolidation	5	-7	-5	-4	1	0	1	-6	-5
Net financial result		**-530**	**-394**	**-325**	**93**	**6**	**27**	**-438**	**-388**	**-298**
EBT (earnings before taxes)		**469**	**466**	**894**	**368**	**227**	**-86**	**837**	**693**	**808**
Income taxes		-413	-201	-375	-22	-29	63	-435	-229	-313
Combined profit or loss for the period		**56**	**265**	**519**	**346**	**198**	**-23**	**402**	**464**	**495**
Combined profit or loss for the period attributable to non-controlling interests		16	11	13	0	0	0	17	11	12
Combined profit or loss for the period attributable to METRO GROUP		40	254	506	346	198	-23	385	453	483
Earnings per share in €		**0.11**	**0.70**	**1.39**	**0.95**	**0.55**	**-0.06**	**1.06**	**1.25**	**1.33**

Special items

by region

€ million		As reported			Special items			Before special items		
		2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
EBITDA		**1,753**	**1,606**	**1,918**	**204**	**165**	**-127**	**1,957**	**1,771**	**1,791**
thereof	Germany	290	125	151	130	171	169	420	295	320
	Western Europe (excl. Germany)	432	507	380	64	-9	106	495	498	487
	Eastern Europe	934	822	738	-2	2	42	932	824	780
	Asia	99	162	650	13	1	-445	112	163	205
	Consolidation	-2	-9	-1	0	0	0	-2	-9	-1
EBIT		**999**	**860**	**1,219**	**275**	**221**	**-113**	**1,275**	**1,081**	**1,106**
thereof	Germany	-50	-243	-182	139	186	170	89	-58	-12
	Western Europe (excl. Germany)	301	395	258	83	-6	114	384	388	372
	Eastern Europe	704	621	561	41	29	48	745	650	610
	Asia	46	97	582	13	12	-445	59	110	137
	Consolidation	-2	-9	-1	0	0	0	-2	-9	-1
Net financial result		**-530**	**-394**	**-325**	**93**	**6**	**27**	**-438**	**-388**	**-298**
EBT (earnings before taxes)		**469**	**466**	**894**	**368**	**227**	**-86**	**837**	**693**	**808**
Income taxes		-413	-201	-375	-22	-29	63	-435	-229	-313
Combined profit or loss for the period		**56**	**265**	**519**	**346**	**198**	**-23**	**402**	**464**	**495**
Combined profit or loss for the period attributable to non-controlling interests		16	11	13	0	0	0	17	11	12
Combined profit or loss for the period attributable to METRO GROUP		40	254	506	346	198	-23	385	453	483
Earnings per share in €		**0.11**	**0.70**	**1.39**	**0.95**	**0.55**	**-0.06**	**1.06**	**1.25**	**1.33**

[1] Special items are explained in the notes to the combined financial statements in no. 43 – *special items*

Accounting principles and methods used in the combined financial statements

Background and purpose of the combined financial statements

In the current organisational set-up, MDAX-listed METRO AG serves as the holding company for METRO GROUP. METRO GROUP is a leading international wholesale and retail group whose operations also comprise online wholesale and retail. Three independent sales lines assume key positions in these areas: the wholesale and food retail specialists METRO Cash & Carry and Real (together: MWFS division) and Media-Saturn (CE division), focused on consumer electronics retailing.

The Management Board of METRO AG is currently preparing the split of the highly divergent divisions MWFS and CE into two independent, stock-listed companies. This was announced in an ad hoc release on 30 March 2016. The demerger will be effected by means of a legal reorganisation of METRO GROUP through numerous restructuring measures including the demerger of METRO AG itself. As a result, the MWFS and CE divisions will be managed separately as part of two separate, independent and stock-listed holding companies in the future. Since the two entities have very limited operational overlap and offer only very limited potential for synergies from centralised management, METRO GROUP expects the two divisions to be even more successful when operating independently. Benefits are expected to result from the stronger focus on the respective customer groups and expected market potential, faster decision-making processes, more flexibility and greater operational efficiency. In addition, the separate public listings of the respective holding companies are expected to provide for a more transparent valuation of the two stand-alone divisions. The demerger is the direct consequence of METRO GROUP's transformation with a focus on greater customer centricity and entrepreneurial action. The demerger and the separate public listings are planned to be completed by mid-2017.

At the time of preparation of the combined financial statements, the underlying hive-down and spin-off agreement (demerger agreement) between METRO AG and METRO Wholesale & Food Specialist AG (until 11 November 2016 METRO Wholesale & Food Specialist GmbH) had not yet been signed. As a result, the explanations on the stipulations of the demerger agreement in these combined financial statements reflect the status of the demerger agreement at the time the combined financial statements were being prepared (6 December 2016). Following the signing, the demerger agreement will be presented to the supervisory bodies of METRO AG and METRO Wholesale & Food Specialist AG for approval. The Annual General Meeting of METRO AG that will vote on the demerger will take place on 6 February 2017. Any references to the demerger agreement in these combined financial statements relate to the preliminary status of the demerger agreement as at 6 December 2016.

Following the above-mentioned reorganisation of METRO GROUP, today's METRO Wholesale & Food Specialist AG will serve as the stock-listed holding company for all economic activities of the wholesale and food retail business. In the following, all of these economic activities are subsumed under the term MWFS GROUP, while all economic activities of the Consumer Electronics segment are subsumed under the term CE GROUP. Prior to this, the MWFS division has been and will be transferred to METRO Wholesale & Food Specialist AG, essentially by implementing the following steps:

- The investments of MWFS GROUP, which were previously held by the intermediate holding company METRO Groß- und Lebensmitteleinzelhandel Holding GmbH (MGLEH), have been sold to METRO Wholesale & Food Specialist AG
- In line with the stipulations of the demerger agreement, the operations of MWFS GROUP within METRO AG will be hived-down to METRO Wholesale & Food Specialist AG in February 2017, following the approval of the METRO AG Annual General Meeting
- In line with the stipulation of the demerger agreement, in the next step, the METRO AG assets that are not attributable to CE GROUP (this essentially concerns the investment in MGLEH) will be transferred to METRO Wholesale & Food Specialist AG by means of a spin-off, with METRO AG shareholders being granted new ordinary and preference shares. The shares of METRO Wholesale & Food Specialist AG will be registered for trading on the

securities exchanges in Frankfurt and Luxembourg. Following the hive-down and spin-off, METRO AG and other CE GROUP companies will hold 10 per cent of the shares in METRO Wholesale & Food Specialist AG.

For more information about the legal reorganisation, see the explanations in no. 49 – notes on related parties.

For the purpose of the exchange listing, METRO Wholesale & Food Specialist AG represents the issuer under the European Prospectus Directive (EPD) No. 809/2004. The EPD requires issuers to present historical financial information covering the last three financial years in their securities prospectus. In this case, this relates to information for the financial years from 1 October 2015 to 30 September 2016, from 1 October 2014 to 30 September 2015 and from 1 October 2013 to 30 September 2014.

According to EPD No. 211/2007, METRO Wholesale & Food Specialist AG will have a "complex financial history" at the planned time of issuance as the legal restructuring and thus the transfer of the business activities of MWFS GROUP to METRO Wholesale & Food Specialist AG were not completed by 30 September 2016. METRO AG has therefore prepared combined financial statements for the carve-out entity MWFS GROUP, which comprise the financial statements of the companies and activities of METRO Cash & Carry and Real as well as the central functions and real estate associated with this business. The combined financial statements consist of a combined income statement, a reconciliation from combined profit or loss for the period to combined total comprehensive income, a combined balance sheet, a combined statement of changes in equity, a combined cash flow statement and notes to the combined financial statements for financial years 2015/16, 2014/15 and 2013/14.

MWFS GROUP is managed by the Management Board of METRO AG, Metro-Straße 1, 40235 Düsseldorf. The preparation of the combined financial statements of MWFS GROUP by the Management Board of METRO AG was completed on 6 December 2016.

Business model of MWFS GROUP

MWFS GROUP consists of two independent sales lines, METRO Cash & Carry and Real, as well as associated service companies, which support MWFS GROUP with services, particularly in the real estate, procurement, logistics, information technology and advertising areas.

In financial year 2015/16, METRO Cash & Carry operates in 25 countries across Europe and Asia, serving the self-service wholesale business through its METRO and MAKRO brands (2014/15: 26 countries; 2013/14: 28 countries) and, increasingly, the food service distribution business, which focuses on direct deliveries of premium food, through its Classic Fine Foods and Rungis express brand and – from financial year 2016/17 – most likely Pro à Pro. Its broad product range is geared to commercial customers, particularly to hotel and restaurant owners, catering firms, independent retailers as well as service providers and public authorities. To reflect METRO Cash & Carry's growing food service distribution operations, the METRO Cash & Carry segment will be renamed into METRO Wholesale following the legal reorganisation of METRO GROUP.

Real is a hypermarket operator in Germany where it operates both store-based business 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.

Compliance with IFRS

METRO AG has prepared these combined financial statements of MWFS GROUP in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU) as at the end of the last reporting period. The IFRS provide no guidelines for the preparation of combined financial statements. Therefore, as per IAS 8.12, the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and accepted industry practices shall be considered when preparing combined financial statements.

These combined financial statements represent the first IFRS financial statements of MWFS GROUP. Based on the stipulations of the demerger agreement between METRO AG and

METRO Wholesale & Food Specialist AG, it reflects the economic activities of MWFS GROUP, which was under common control of METRO AG during the reporting periods presented in these combined financial statements. The date of the transition to IFRS is 1 October 2013. METRO AG prepares the combined financial statements for MWFS GROUP in accordance with IFRS 1 D16 (a). Accordingly, these combined financial statements apply the predecessor accounting method. The combined financial statements present the economic activities of MWFS GROUP companies and MWFS GROUP as they have been included in the consolidated financial statements of METRO GROUP in the past. In the process, the same accounting principles and values on which the financial information in the consolidated financial statements of METRO GROUP has been based are generally applied to the combined financial statements. Previous carrying amounts are not continued insofar as the underlying accounting principles and recognised amounts for the presentation of MWFS GROUP as a group of companies that is independent of METRO GROUP are not IFRS-compliant. This includes, for example, the classification pursuant to IAS 17 of cross-segment leases within METRO GROUP, which are consistently recognised as operating leases in segment reporting in the consolidated financial statements of METRO GROUP.

Combination group

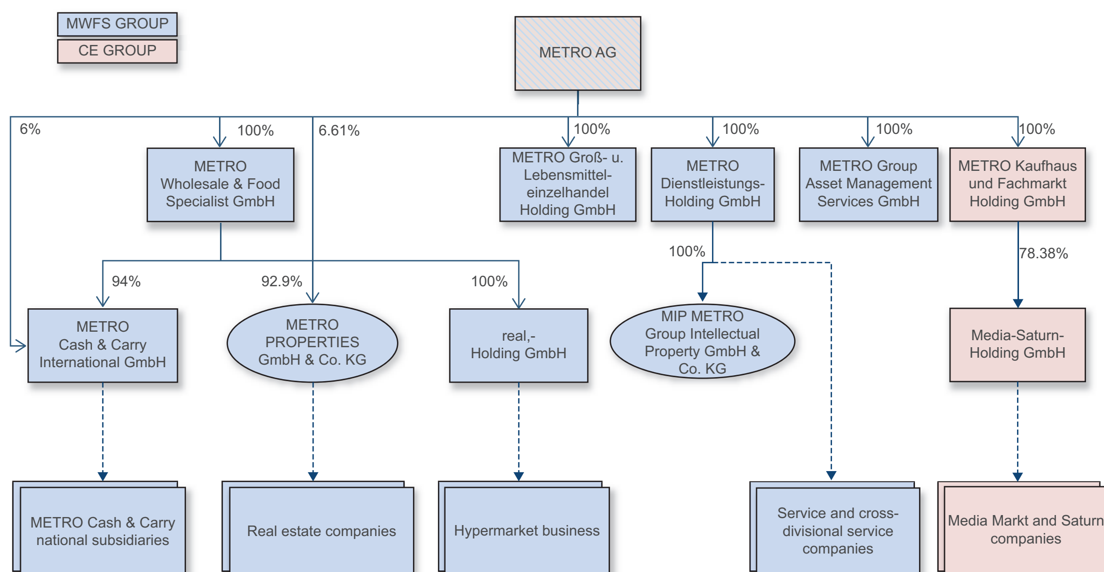
The combination group for the combined financial statements of MWFS GROUP for the financial years ended 30 September 2016, 30 September 2015 and 30 September 2014 is defined on the basis of the economic activities of MWFS GROUP. The combined financial statements of MWFS GROUP thus include those assets and liabilities as well as expenses and income of METRO GROUP that were part of the economic activities of MWFS GROUP in the past – that is, of the sales lines METRO Cash & Carry and Real as well as related service companies – and therefore will be spun off to MWFS GROUP as part of the legal reorganisation of METRO GROUP. All economic activities of the combination group were under common control of METRO AG for the entire duration of the stated reporting periods.

Until now, MWFS GROUP was part of the group of companies of METRO AG and did not operate as an independent group. The combined financial statements for the financial years ended 30 September 2016, 30 September 2015 and 30 September 2014 do not necessarily reflect the results that MWFS GROUP would have recorded as a separate, stand-alone group with own centralised functions during the years presented in these combined financial statements. The combined financial statements also do not serve as a guide to future results of MWFS GROUP.

The business activities of MWFS GROUP that were sold during financial years 2015/16, 2014/15 and 2013/14 are included in the combination group until the date of disposal. The disposals are disclosed in accordance with the requirements of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). This applies in particular to the disposal of the Real business in Poland and Turkey as well as the wholesale business in Vietnam and Greece.

METRO AG's proportionate share of net assets from investments in companies included in the combination group is shown in the equity item net assets attributable to METRO GROUP.

The following is a simplified overview of the organisational set-up of METRO GROUP as of 30 September 2016 (0:00 p.m.). The companies marked blue in the following chart are companies that are attributed to MWFS GROUP. The companies marked red will be part of CE GROUP. Companies marked with blue and red stripes cannot be uniformly attributed to MWFS GROUP or CE GROUP (mixed companies). For an overview of the entities included in the combination group, see the notes to the combined financial statements in no. 52 – *companies of the combination group.*



Associates are recognised in the combined financial statements according to the equity method. Companies managed jointly by MWFS GROUP and partners are also recognised at equity.

Effects from changes in the combination group that are of special significance are explained separately in the respective items.

For more information about changes in the combination group during the reporting period as well as in the individual structured entities included in the combination group of MWFS GROUP and the at-equity investments, see the notes to the combined financial statements in *development of the combination group in the chapter accounting principles and methods used in the combined financial statements.*

Accounting treatment of mixed companies within the combination group

METRO AG, METRO Innovations Holding GmbH (as of 30 September 2016 a subsidiary of METRO Wholesale & Food Specialist AG) and METRO Group Clearing GmbH (a service company of METRO GROUP) are companies with economic activities that cannot be uniformly assigned to MWFS GROUP or CE GROUP (mixed companies).

The assets and liabilities as well as expenses and income of these companies have been apportioned according to their economic affiliation. They have been included in the combination group insofar as they can be economically attributed to MWFS GROUP.

Accounting treatment of METRO AG

The allocation of assets and liabilities of METRO AG to MWFS GROUP corresponds to the stipulations of the demerger agreement between METRO AG and METRO Wholesale & Food Specialist AG. The allocation of assets and liabilities agreed in the demerger agreement essentially results from the divergent economic activities of MWFS GROUP and CE GROUP and also considers the agreed provision of cash resources as of 30 September 2016.

With the exception of negligible exceptions, property, plant and equipment as well as intangible assets of METRO AG have been attributed to MWFS GROUP. Claims of METRO AG against external pension providers related to pension commitments of METRO AG to active employees have been attributed to MWFS GROUP or CE GROUP on the basis of economic origin.

In accordance with the stipulations of the demerger agreement, METRO AG's entire net debt was attributed to the combination group insofar as it did not directly concern investments of CE GROUP at METRO AG. Accordingly, cash and cash equivalents from these investments at METRO AG were not allocated to the combination group of MWFS GROUP. In accordance with the stipulations of the demerger agreement, the initial cash resources provided to METRO AG as the holding company of CE GROUP were not included in the combined financial statements of MWFS GROUP as of 30 September 2016. In particular, these cash resources are intended to be used for the proposed dividend in the amount of €327 million for financial year 2015/16 that will be paid to shareholders of METRO AG in February 2017.

The treatment of net debt and thus the balance of borrowings including finance leases and cash and cash equivalents according to the balance sheet as well as financial investments is in line with the management of debt metrics by METRO GROUP and MWFS GROUP, which consistently focuses on this balance rather than on the individual components. In addition, the allocation of net debt to MWFS GROUP properly reflects financing requirements in economic terms: these financing requirements relate almost exclusively to the wholesale and food retail businesses as well as the associated real estate, while CE GROUP and the GALERIA Kaufhof group contributed net liquidity to METRO GROUP's net debt.

Along with the allocation of the net debt to MWFS GROUP, the cash and cash equivalents are also allocated to MWFS GROUP. This results in changes in this amount from cash inflows and outflows during the reporting period that are not attributable to the business activities of MWFS GROUP. In these combined financial statements, these cash inflows and outflows are shown as contributions and withdrawals, respectively. Among others, they relate to the annual dividend payouts to the shareholders of METRO AG and to the purchase price from the sale of the GALERIA Kaufhof group. Until 30 September 2015, the GALERIA Kaufhof group was part of METRO GROUP but not part of the economic activities of MWFS GROUP.

These contributions and withdrawals are disclosed as total amounts and explained in no. 41 – *notes to the combined cash flow statement* as well as in the combined statement of changes in equity.

Obligations for post-employment benefits plans towards active employees of METRO AG and related expenses have been attributed to MWFS GROUP or CE GROUP on the basis of economic origin. In accordance with the stipulations of the demerger agreement, pension commitments of METRO AG have not been included in the combined financial statements insofar as they concern former employees.

The tax items of METRO AG (tax receivables and tax provisions or liabilities) as well as the associated expenses and income have been attributed to MWFS GROUP or CE GROUP on the basis of economic origin.

In accordance with the stipulations of the demerger agreement, contingent liabilities of METRO AG towards third parties and related parties have been assumed and thus recognised in the combined financial statements.

The items of the combined income statement of METRO AG have been apportioned to MWFS GROUP and CE GROUP on the basis of economic origin. In the process, headcount-based allocation keys were used in individual cases, especially for personnel-related items. Depreciation, amortisation and impairment losses of property, plant and equipment have been fully attributed to MWFS GROUP in accordance with the classification of property, plant and equipment. The net financial result has been attributed to MWFS GROUP in accordance with the attribution of the funds and financial liabilities. Interest on obligations for post-employment benefits plans has been apportioned in accordance with the attribution of the obligations. The tax items in the combined income statement have been attributed in accordance with the attribution of the respective balance sheet items. Transaction costs of METRO AG resulting from the demerger of METRO GROUP have been fully attributed to MWFS GROUP.

In financial year 2016/17, mutual services in the area of central administration will be rendered between MWFS GROUP and CE GROUP. These will be settled under the Transitional Service Agreement (TSA). The implementation of the demerger may result in changes in personnel and cost structures at METRO Wholesale & Food Specialist AG as the holding company of MWFS GROUP. As a result, deviations can be expected in the asset, financial and earnings position of MWFS GROUP in future financial years compared with the figures shown in these combined financial statements.

Accounting treatment of METRO Group Clearing GmbH and METRO Innovations Holding GmbH

The assets and liabilities of METRO Group Clearing GmbH, which coordinates intra-group clearing operations within METRO GROUP Germany (in-house bank), as well as the related expenses and income have been included in the combination group of MWFS GROUP insofar as they result from the clearing operations of METRO Group Clearing GmbH on behalf of other companies included in the combination group in Germany. Items resulting from intra-group clearing operations at METRO GROUP are not included in the combined financial statements insofar as these investments and borrowings at METRO Group Clearing GmbH relate to companies of CE GROUP. Receivables of METRO Group Clearing GmbH from the GALERIA Kaufhof group resulting from restructuring measures within METRO GROUP in preparation for the sale are also not included in the combined financial statements.

With the exception of three investments attributable to CE GROUP and the associated loans, METRO Innovations Holding GmbH including its investments and associated loans was acquired by MWFS GROUP by means of the legal reorganisation of METRO GROUP and is therefore included in the combination group.

Development of the combination group during the reporting period

As of 30 September 2016, aside from METRO Wholesale & Food Specialist AG, 196 German (30/9/2015: 189; 30/9/2014: 192; 1/10/2013: 184) and 205 international (30/9/2015: 197; 30/9/2014: 184; 1/10/2013: 185) companies were included in the combined financial statements.

The combination group developed as follows in financial years 2015/16, 2014/15 and 2013/14:

As of 1/10/2013	**369**
Changes in financial year 2013/14	
Merger with other companies in the combination group	3
Disposal of shares	5
Other disposals	9
Newly founded companies	10
Acquisitions	15
As of 30/9/2014	**377**
Changes in financial year 2014/15	
Merger with other companies in the combination group	3
Disposal of shares	5
Other disposals	20
Newly founded companies	9
Acquisitions	29
As of 30/9/2015	**387**
Changes in financial year 2015/16	
Merger with other companies in the combination group	1
Disposal of shares	0
Other disposals	14
Newly founded companies	12
Acquisitions	17
As of 30/9/2016	**401**

Until the date of disposal, the companies were accounted for as companies of the combination group.

The other disposals comprise:

	2013/14	2014/15	2015/16
Liquidation	3	4	6
Accretion	5	6	5
Change in the type of consolidation in the combined financial statements	1	10	3
	9	**20**	**14**

In financial year 2015/16, the acquisitions primarily relate to the acquisition of the Rungis express group (10 companies) by METRO Cash & Carry. The acquisitions in financial year 2014/15 exclusively reflect the takeover of the Classic Fine Foods group by the METRO Cash & Carry sales line. In financial year 2013/14, the acquisitions primarily relate to real estate companies of the Real sales line (13 companies).

Structured entities

Structured entities within the combination group concern leasing companies. The key purpose of the leasing companies is to acquire, lease out and manage assets. As of 30 September 2016, 11 (30/9/2015: 11; 30/9/2014: 13; 1/10/2013: 15) structured entities were fully consolidated. MWFS GROUP does not have any relationships with uncombined structured entities.

Investments accounted for using the equity method

21 associates (30/9/2015: 24; 30/9/2014: 6; 1/10/2013: 5) and 5 joint ventures (30/9/2015: 4; 30/9/2014: 7; 1/10/2013: 7) are recognised in the combined financial statements according to the equity method. The year-on-year increase in companies recognised in the combined financial statements according to the equity method in financial year 2014/15 is essentially due to the loss of control over 10 real estate companies of the Real sales line, which were still fully consolidated in financial year 2013/14 and whose remaining shares were accounted for as investments in associates.

Another 4 companies (30/9/2015: 4; 30/9/2014: 5; 1/10/2013: 5) in which METRO Wholesale & Food Specialist AG indirectly or directly holds between 20 and 50 per cent of the voting rights are valued at cost because they did not qualify as associates or because materiality considerations made the use of the equity method unnecessary.

A list of the major entities included in the combination group is shown in no. 51 – *overview of major companies of the combination group*. In addition, a complete list of all companies included in the combination group is shown in no. 52 – *companies of the combination group*.

Overview of major entities with non-controlling interests in € million

1/10/2013		Non-controlling interests								
Name	Seat	in %	As of 1/10/2013	Dividends paid	Assets (non-current)	Assets (current)	Non-current liabilities	Liabilities (non-current)	Sales	Earnings shares[1]
METRO Cash & Carry (in the future: METRO Wholesale)										
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	0	0	146	551	3	680	2,076	0
METRO Cash & Carry Romania SRL	Bucharest, Romania	15.00	0	0	86	311	41	158	979	0
Others										
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	0.49	0	0	196	1,220	16	1,245	0	0

30/9/2014		Non-controlling interests								
Name	Seat	in %	As of 30/9/2014	Dividends paid	Assets (non-current)	Assets (current)	Non-current liabilities	Liabilities (non-current)	Sales	Earnings shares[1]
METRO Cash & Carry (in the future: METRO Wholesale)										
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	-4	0	190	665	4	797	2,244	3
METRO Cash & Carry Romania SRL	Bucharest, Romania	15.00	0	-4	81	310	44	150	909	0
Others										
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	0.49	0	0	196	1,696	18	1,720	0	0

30/9/2015		Non-controlling interests								
Name	Seat	in %	As of 30/9/2015	Dividends paid	Assets (non-current)	Assets (current)	Non-current liabilities	Liabilities (non-current)	Sales	Earnings shares[1]
METRO Cash & Carry (in the future: METRO Wholesale)										
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	-4	0	253	744	3	883	2,632	0
METRO Cash & Carry Romania SRL	Bucharest, Romania	15.00	0	0	81	335	44	172	892	0
Others										
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	0.49	0	0	196	1,725	17	1,759	0	0

30/9/2016		Non-controlling interests								
Name	Seat	in %	As of 30/9/2016	Dividends paid	Assets (non-current)	Assets (current)	Non-current liabilities	Liabilities (non-current)	Sales	Earnings shares[1]
METRO Cash & Carry (in the future: METRO Wholesale)										
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	-9	0	276	738	3	856	2,635	4
Others										
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	0.49	1	0	196	1,884	18	1,907	0	0

[1] Earnings shares attributable to non-controlling shareholders

Accounting principles

The combined balance sheet of MWFS GROUP results from the combination of the net assets of all companies included in the combination group and economic activities. This combination group is defined by the economic activities of MWFS GROUP, which was under common control of METRO AG.

Intra-group balances, income and expenses as well as gains and losses from transactions between companies included in the combination group have been eliminated. Capital consolidation was effected with respect to existing shareholdings within the combination group of MWFS GROUP. Transactions with METRO GROUP companies that are not part of MWFS GROUP are shown in no. 49 – *notes on related parties*.

Certain items in the combined income statement and the reconciliation from combined profit or loss for the period to combined total comprehensive income, the combined balance sheet, the combined statement of changes in equity and the combined cash flow statement have been combined to increase transparency. These are explained later in these notes to the combined financial statements.

The combined income statement has been prepared using the cost of sales method. The balance sheet classification is based on the maturities of assets and liabilities. Assets and liabilities are considered as current items if they fall due or are to be sold within one year or within the normal business cycle of the companies in the combination group. The business cycle is defined for this purpose as beginning with the procurement of the resources necessary for the production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the goods or services produced in that process. Trade receivables and liabilities as well as inventories are consistently recognised as current items. Deferred tax assets and deferred tax liabilities as well as provisions for post-employment benefits plans are classified as non-current items.

The combined statement of changes in equity shows the change in net assets attributable to METRO GROUP and non-controlling interests as well as the other components of equity of the companies included in the combined financial statements for the respective years. In addition, the statement of changes in equity comprises a corresponding breakdown of net assets and other components of equity attributable to non-controlling interests.

The combined cash flow statement is subdivided into operating, investing and financing activities in line with IAS 7 (Statement of Cash Flows). Cash flow from operating activities is presented using the indirect method. Depreciation/amortisation/impairment losses and reversals of impairment losses of assets excluding financial investments as well as income tax payments are part of operating activities. Purchase prices paid or received for the purchase or sale of investments in companies are attributed to investing activities. Interest paid or received is shown under financing activities as are effects at MWFS GROUP from the attribution of borrowings as well as cash and cash equivalents of METRO AG based on economic activities that have resulted in contributions to or withdrawals from net assets. Exchange-rate-related changes in the value of cash and cash equivalents are disclosed separately.

The estimates on the basis of which the combined financial statements have been prepared are the same as those on which the IFRS reporting to METRO AG was based at the respective reporting date. This does not apply if this approach to the presentation of MWFS GROUP as a stand-alone entity that is independent of METRO GROUP is not IRFS-compliant. For more information, see the chapter judgements, estimates and assumptions provided later in these notes to the combined financial statements.

The combined financial statements have been prepared in euros. Unless stated otherwise, all amounts are shown in millions of euros (€ million). Amounts below €0.5 million are rounded and reported as €0 million. Amounts shown in the combined income statement, the reconciliation from combined profit or loss for the period to combined total comprehensive income, the combined balance sheet, the combined statement of changes in equity and the combined cash flow statement have been rounded to produce the respective totals. In all other tables, the individual amounts and the totals were rounded separately. Rounding differences may occur.

Principles of combination

The financial statements of the German and foreign subsidiaries included in the combination group that are included in the combined financial statements are prepared using uniform accounting and measurement methods.

Material consolidated companies that do not close their financial year on 30 September, the closing date of METRO Wholesale & Food Specialist AG, prepared interim financial statements for the purpose of combination.

In accordance with IFRS 3 (Business Combinations), acquisitions of subsidiaries are accomplished 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 acquisitions of subsidiaries, hidden reserves and hidden burdens attributable to non-controlling interests must be disclosed and reported in equity as "non-controlling interests". MWFS GROUP 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 charges after another review during the period in which the business combination took place are amortised to income.

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

Investments in associates and joint ventures are consolidated using the equity method, with existing goodwill being included in the amount capitalised for investments, and any impairment losses on this goodwill being included in earnings shares of operating companies recognised at equity or in earnings shares of non-operating companies recognised at equity. 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 MWFS GROUP's uniform accounting and measurement methods for its combined group. For more information, see no. 6 – *earnings share of operating/non-operating companies recognised at equity*.

Unrealised gains from transactions with companies accounted for using the equity method are derecognised against the investment in the amount of MWFS GROUP's share in the investee.

A reduction in the investment in a subsidiary within the combination group must be recognised in net assets in equity as an equity transaction outside of profit or loss as long as the parent company can continue to exercise control within the combination group. 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 ability to exercise control within the combination group. All assets, liabilities and equity items that were previously fully consolidated will then be derecognised at amortised group carrying amounts. Elimination of the derecognised investments 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 (Financial Instruments: Recognition and Measurement) or as an investment valued using the equity method pursuant to IAS 28.

Goodwill or purchase price adjustments resulting from the historical acquisition of these combined companies by METRO AG are disregarded in the amounts recognised according to IFRS 1 (First-Time Adoption of International Financial Reporting Standards). Depreciation/amortisation/impairment losses on disregarded goodwill and property, plant and equipment have therefore also been disregarded in the combined financial statements.

Current and deferred income taxes are recognised in accordance with IAS 12 (Income Taxes). In the process, and applying the group allocation approach, all current and deferred taxes recognised at METRO AG as the former controlling entity of the German group of incorporated companies will be attributed pro rata to those parts of the group of incorporated companies that will be included in the combination group (future group of incorporated companies of MWFS GROUP). Taxes will be allocated as though these domestic companies were a stand-alone group of incorporated companies for the periods in the combined financial statements. In the absence of positive tax bases with the group of incorporated companies, current domestic taxes are not incurred (excluding events from audits of previous years). In the process, deferred tax assets on tax loss carry-forwards are assigned to the combination group based on causation. The tax burden thus presented may deviate from tax expenses or tax income that would result for the future incorporated companies in Germany (controlling entity METRO Wholesale & Food Specialist AG) as a stand-alone group. From the time the new group of incorporated companies with the controlling entity METRO Wholesale & Food Specialist AG

comes into existence (1 October 2016, i.e. for future financial statements), the deferred tax assets on loss carry-forwards for this group of incorporated companies will be remeasured. Upon termination of the tax group with METRO AG, the currently allocated deferred tax assets on tax loss carry-forwards must be derecognised through profit or loss.

In the consolidated financial statements of METRO GROUP, obligations for post-employment benefits plans are discounted at a uniform rate of interest based on the average maturities of the obligations. This interest rate can no longer be used for the purposes of the combined financial statements. The deviating composition of the group of future beneficiaries and recipients results in longer maturities of the obligations and therefore required a higher interest rate.

In the consolidated financial statements of METRO GROUP, cross-segment, intra-group leases are treated as operating leases in segment reporting. As a result of the hive-down and spin-off of MWFS GROUP from METRO GROUP, individual leases that were previously classified as intra-group leases must now be recognised by MWFS GROUP according to IAS 17 (Leases) as the lessee is not part of the combination group. For the purpose of the combined financial statements, these have been assessed as though the demerger had already been implemented before the respective leases were concluded.

Application of new accounting methods

Accounting standards applied to the combination group

The following accounting standards and interpretations revised, amended and newly adopted by the International Accounting Standards Board (IASB), which, in accordance with the International Financial Reporting Standards, had to be applied for the first time in financial year 2015/16, were retroactively applied to all financial years in these combined financial statements of MWFS GROUP:

IAS 19 (Employee Benefits)

The amendment "Defined Benefit Plans: Employee Contributions" to IAS 19 (Employee Benefits) applies to contributions from employees or third parties to defined benefit plans that are linked to service. Employee contributions that are independent of the number of years of employee service may be recognised as a reduction in the service cost in the period in which the service is rendered. In contrast, employee contributions that depend on the number of years of employee service are required to be attributed to periods of service using the plan's contribution formula.

Additional IFRS amendments

Within the scope of the Annual Improvements to IFRS 2010-2012, slight revisions were made to IFRS 8 (Operating Segments), among others. Aggregation of several operating segments to a single reportable segment requires a description of the aggregated operating segments. Additionally, the metrics used as a criterion for evaluating the existence of similar economic characteristics must be disclosed. A reconciliation of segment assets to group assets is now necessary only if the segment assets are part of reporting to the responsible corporate decision-maker. Nonetheless, MWFS GROUP disclosed reconciliations from non-current segment assets to assets of the combination group.

In addition, the improvements clarified definitions used in IFRS 2 (Share-based Payment). A performance condition thus requires the counterparty to complete a specified period of service and to meet specified performance targets while the counterparty is rendering the service. These performance targets are defined by reference to the entity's activities or the value of the entity's equity instruments and may relate either to the performance of the entity as a whole or to some part of the entity or an individual employee. In contrast, the service condition only requires the counterparty to complete a specified period of service and does not have a service requirement. In addition, the improvements clarified that a market condition refers not just to service conditions that depend on the market price or value of the entity's equity instruments, but also to service conditions that depend on the market price or value of the equity instruments of another entity in the same group.

The Annual Improvements also provided for a clarification in IFRS 3 (Business Combinations), requiring the corresponding standards to be applied to a contingent consideration classified as a financial asset or financial liability. A contingent consideration which is not classified as an equity instrument must be measured at fair value through profit or loss.

The clarification in IFRS 13 (Fair Value Measurement) specifies that short-term receivables and payables with no stated interest rate may be measured at their invoice amounts without discounting if the effect of not discounting is immaterial.

In addition, the Improvements 2010-2012 broaden the definition of related parties in IAS 24 (Related Party Disclosures). The definition now also includes entities providing key management personnel services to the reporting entity either directly or through one of their group companies, even if they do not otherwise meet the definition of a related party in the meaning of IAS 24. In addition, the reporting entity is required to separately disclose payments made in respect of key management personnel services provided by a related party.

With respect to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets), the improvements clarify that the accumulated depreciation must be determined at the valuation date when using the revaluation method.

The Annual Improvements to IFRS 2011-2013 include, among others, the clarification in IFRS 1 (First-time Adoption of International Financial Reporting Standards) that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS and early application of a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements unless IFRS 1 provides an exemption or an exception that permits or requires otherwise. This amendment is of no significance to MWFS GROUP.

In IFRS 3 (Business Combinations), the Improvements 2011-2013 clarify the existing exception of business combinations from the scope of IFRS 3. The exception applies to all types of joint arrangements as defined in IFRS 11 and only applies to the financial statements of the joint venture or the joint operation itself and not to the accounting by the parties to the joint arrangement.

In addition, with respect to IFRS 13 (Fair Value Measurement), the Improvements 2011-2013 clarify that the so-called portfolio exception applies to all contracts within the scope of IAS 39 (Financial Instruments: Recognition and Measurement), regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 (Financial Instruments: Presentation). The portfolio exception permits an entity that manages a group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risks to measure the fair value of that group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure, or to transfer a net short position for a particular risk exposure, in an orderly transaction between market participants at the measurement date.

With respect to IAS 40 (Investment Property), the Improvements 2011-2013 clarify that the scopes of IAS 40 and IFRS 3 (Business Combinations) are independent of each other. As a result, any acquisition of investment property must be examined to determine whether it is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or an operational entity in the scope of IFRS 3. In addition, the criteria of IAS 40 must be applied to determine whether the property is to be classified as investment property or owner-occupied property.

The described clarifications resulting from the Improvements 2011-2013 have no material impact on the combination group.

Accounting standards that were published but not yet applied in the combined financial statements

A number of other accounting standards and interpretations newly adopted or revised by IASB were not yet applied by MWFS GROUP in financial year 2015/16 because they were either not yet mandatory or have not yet been endorsed by the European Commission.

Standard/ Interpretation	Title	Effective date according to IFRS[1]	Application at MWFS GROUP from[2]	Endorsed by EU[3]
IFRS 2	Share-based Payment (Amendment: Classification and Measurement of Share-based Payment Transactions)	1/1/2018	1/10/2018	No
IFRS 4	Insurance Contracts (Amendment: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)	1/1/2018	1/10/2018	No
IFRS 9	Financial Instruments	1/1/2018	1/10/2018	Yes
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[4]	Unknown[4]	No
IFRS 10/IFRS 12/IAS 28	Consolidated Financial Statements/Disclosure of Interests in Other Entities/Investments in Associates and Joint Ventures (Amendment: Investment Entities: Applying the Consolidation Exception)	1/1/2016	1/10/2016	Yes
IFRS 11	Joint Arrangements (Amendment: Accounting for Acquisitions of Interests in Joint Operations)	1/1/2016	1/10/2016	Yes
IFRS 14	Regulatory Deferral Accounts	1/1/2016	1/10/2016	Not approved
IFRS 15	Revenue from Contracts with Customers	1/1/2018	1/10/2018	Yes
IFRS 15	Revenue from Contracts with Customers (Clarifications)	1/1/2018	1/10/2018	No
IFRS 16	Leases	1/1/2019	1/10/2019	No
IAS 1	Presentation of Financial Statements (Amendment: Disclosure Initiative)	1/1/2016	1/10/2016	Yes
IAS 7	Statement of Cash Flows (Amendment: Disclosure Initiative)	1/1/2017	1/10/2017	No
IAS 12	Income Taxes (Amendment: Recognition of Deferred Tax Assets for Unrealised Losses)	1/1/2017	1/10/2017	No
IAS 16/IAS 41	Property, Plant and Equipment/Agriculture (Amendment: Bearer Plants)	1/1/2016	1/10/2016	Yes
IAS 16/IAS 38	Property, Plant and Equipment/Intangible Assets (Amendment: Clarification of Acceptable Methods of Depreciation and Amortisation)	1/1/2016	1/10/2016	Yes
IAS 27	Separate Financial Statements (Amendment: Equity Method in Separate Financial Statements)	1/1/2016	1/10/2016	Yes
Various	Improvements to IFRS (2012-2014)	1/1/2016	1/10/2016	Yes

1 Without earlier application
2 Application as of 1 October due to deviation of financial year from calendar year; precondition: EU endorsement has been effected
3 As of: 6 December 2016 (date of the signing of the combined financial statements by the Management Board of METRO AG)
4 Indefinite deferral of effective date by IASB

IFRS 2 (Share-based Payment)

The amendment "Classification and Measurement of Share-based Payment Transactions" relates to three 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 follows 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 structure of the instrument.

In addition, IASB has introduced an exception 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 payment would have been classified as equity-settled had it not included the net settlement feature.

Moreover, IASB has 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 at 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, MWFS GROUP will apply these regulations for the first time on 1 October 2018. These changes will be applied prospectively to any relevant transactions of MWFS GROUP. As part of a project dealing with the introduction of the amended IFRS 2 at METRO AG, the impact of the new standards on MWFS GROUP will also be analysed over the course of the next financial year.

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, standards 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 its 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 four measurement categories for financial assets were reduced to two categories: financial assets recognised at amortised cost (category 1) and financial assets measured at fair value (category 2), wherein the latter category has two subcategories.

If the financial asset 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 be recognised at amortised cost (category 1). If the objective of the business model is collecting payments and selling financial assets 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, for equity instruments that do not meet the cash flow criteria, an irrevocable election can be made upon initial recognition to classify them as subcategory 2 a. Furthermore, all financial instruments 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 three-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 twelve months. At stage two, 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 lifetime expected loss (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. Subject to the respective EU endorsement, METRO AG will therefore apply these regulations for the first time on 1 October 2018. As part of a project dealing with the introduction of IFRS 9 at METRO AG, the impact of the new standards on MWFS GROUP will also be analysed over the course of the next financial year.

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 MWFS GROUP is unknown. As MWFS GROUP 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 five-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 on the contract. If a company has more than one 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 estimated 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 five-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 and on changes over time.

IFRS 15 applies to financial years beginning on or after 1 January 2018. MWFS GROUP will thus apply these guidelines for the first time on 1 October 2018. As part of a project dealing with the introduction of IFRS 15 at METRO AG, the impact of the new standards on MWFS GROUP will also be analysed over the course of the next financial year.

A clarification was released following the adoption of the new IFRS 15. It supplements the IFRS 15 guidelines with respect to the identification of performance obligations, principal

versus agent considerations and the separation of licences. It also includes provisions for a simplified transition to IFRS 15.

The clarifications to IFRS 15 apply to financial years beginning on or after 1 January 2018. Subject to the respective EU endorsement, MWFS GROUP will therefore apply these regulations for the first time on 1 October 2018. The project dealing with the introduction of IFRS 15 at MWFS GROUP will also consider the impact of the clarifications.

IFRS 16 (Leases)

The new IFRS 16 will replace the currently applicable IAS 17 (Leases). 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 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 contract contains a lease if it 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. These include all fixed payments less any lease incentives, for example, for the conclusion of the contract. In addition, the lease payments must include any variable lease payments that depend on an index and variable 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 of the expected lease payments, require a remeasurement of the liability.

The simultaneously recognised right-of-use asset is measured at the amount of the lease 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 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, whereby any negative adjustments exceeding the carrying amount must be recognised through profit or loss.

Lessees can elect to make use of several policy options. Lessees can apply IFRS 16 accounting to a portfolio of leases with similar characteristics and can elect not to separate a contractually agreed service component from lease components and treat the entire contract as a lease. In addition, they may elect not to apply the right-of-use approach to short-term leases (with a maximum term of twelve 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 guidelines 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 applies to financial years beginning on or after 1 January 2019. Subject to the respective EU endorsement, MWFS GROUP must apply these regulations for the first time on 1 October 2019. As part of a project dealing with the introduction of IFRS 16 at METRO AG, the impact of the new standards on MWFS GROUP will also be analysed over the course of the next financial year.

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 must be considered even when a standard requires a specific disclosure.

The amendment clarifies 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. In addition, an entity’s share of other comprehensive income of equity-accounted associates and joint ventures is presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

With respect to the notes to the financial statements, the amendment clarifies that understandability and comparability should be considered when determining the order of the notes.

These amendments to IAS 1 apply to financial years beginning on or after 1 January 2016. MWFS GROUP will thus apply these guidelines for the first time on 1 October 2016. The impact of these amendments on the disclosures in the combined financial statements of MWFS GROUP will be minor.

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. Liabilities arising from financing activities 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 liabilities arising from financing activities 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. Subject to the respective EU endorsement, MWFS GROUP will apply these regulations for the first time on 1 October 2017 and extend its disclosures accordingly.

Additional IFRS amendments

Among other things, the Annual Improvements to IFRS 2012-2014 comprise a clarification in IAS 34 (Interim Financial Reporting) regarding the disclosure of information "elsewhere in the interim financial report". Following this change in wording, several disclosures may now be replaced by references to the management report. The option to incorporate cross-references will simplify the preparation of the notes to the combined financial statements at MWFS GROUP.

In addition, as part of the improvements, two 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 classification as held for distribution must be treated in the same way as an asset that is no longer classified as held for sale and must no longer be recognised in accordance with IFRS 5.

The changes resulting from the Annual Improvements to IFRS 2012-2014 apply to financial years beginning on or after 1 July 2016. As a result, MWFS GROUP will apply the amended IAS 34 retrospectively and the amended IFRS 5 prospectively for future transactions for the first time on 1 October 2016.

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 MWFS GROUP's asset, financial and earnings position.

New Operating Model

In the course of the introduction of the so-called New Operating Model from 1 October 2015, METRO GROUP classified the individual METRO Cash & Carry countries into three clusters: Horeca (focusing on hotels, restaurants and catering firms), Traders (focusing on independent resellers such as kiosk operators, bakers and butchers) and Multispecialists (focusing on the remaining customer groups as well as service companies and offices). This categorisation was guided by the strategic focus on customer groups and expected market potential. Together with the responsible member of the Management Board, the management of the METRO Cash & Carry segment is responsible for the three clusters. Three operating partners are mandated with the individual clusters and support the countries with overarching measures geared towards specific customer groups. MWFS GROUP has also adopted this management model.

The introduction of the New Operating Model entailed a change in the operating segments at METRO Cash & Carry in accordance with IFRS 8. The three clusters mentioned above now represent operating segments as the allocation of in-house resources and performance measurement by the so-called Chief Operating Decision Maker (member of the Management Board of METRO AG until the demerger; the Management Board of METRO Wholesale & Food Specialist AG thereafter) are based on the three clusters. Previously, individual countries represented operating segments. Since the three clusters 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 reporting segments – these three operating segments will be bundled into one reporting segment in spite of their divergent strategic focus.

In addition, the new corporate management and/or monitoring structure entails a modified internal reporting structure. As a result, from 1 October 2015, goodwill is no longer monitored

at the level of the sales line per country but at the level of the three clusters. Goodwill has been reallocated accordingly. The required impairment test prior to the reallocation did not lead to any impairment losses on goodwill.

Currency translation

Foreign currency transactions

In the separate financial statements of the companies included in the combined financial statements, transactions in foreign currency are valued at the rate prevailing on the respective transaction date. As of the closing dates of 30 September 2016, 30 September 2015, 30 September 2014 and 1 October 2013, monetary assets and liabilities in foreign currency are valued at the closing date's 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 respective 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 outside of profit or loss.

Foreign operations

The annual financial statements of foreign companies included in the combined financial statements 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 company. Since all combined companies operate as financially, economically and organisationally autonomous entities, their respective local currency is the functional currency. Assets and liabilities are therefore converted at the current exchange rate prevailing on the respective closing date. As a rule, items in the combined income statement are translated at the average exchange rate during the financial year. Differences from the translation of the financial statements of foreign companies with which parent-subsidiary relationships exist are recognised in combined other comprehensive income outside of profit or loss. To the extent that foreign companies 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 business operation with which a parent-subsidiary relationship exists are deconsolidated or terminated. In a partial disposal in which a controlling interest in the foreign company 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 through profit or loss.

In financial years 2015/16, 2014/15 and 2013/14, which are presented here, no functional currency of an included company was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

The following exchange rates are applied in the translation of key currencies outside the European Monetary Union that are of major significance for MWFS GROUP:

		Average exchange rate per €			Exchange rate at closing date per €			
		2013/14	2014/15	2015/16	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Bosnia and Herzegovina convertible mark	BAM	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Bulgarian lev	BGN	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Chinese renminbi	CNY	8.34171	7.14511	7.25857	8.26450	7.72620	7.12060	7.44630
Croatian kuna	HRK	7.62536	7.62450	7.55920	7.61530	7.64250	7.64450	7.52200
Czech koruna	CZK	27.29877	27.42870	27.04140	25.73000	27.50000	27.18700	27.02100
Danish krone	DKK	7.45919	7.45411	7.45069	7.45800	7.44310	7.45980	7.45130
Egyptian pound	EGP	9.36833	8.57877	9.25176	9.28670	8.98510	8.66620	9.85335
Hong Kong dollar	HKD	10.52203	8.90626	8.62172	10.47220	9.77400	8.68240	8.65470
Hungarian forint	HUF	305.88518	308.94701	312.27877	298.15000	310.57000	313.45000	309.79000
Indian rupee	INR	82.82878	72.50054	74.22463	84.84400	77.85640	73.48050	74.36550
Indonesian rupee	IDR	15,853.76000	14,914.46000	14,923.41000	15,425.27000	15,366.97000	16,347.81000	14,566.22000
Japanese yen	JPY	138.81282	136.84504	124.09443	131.78000	138.11000	134.69000	113.00000
Kazakhstani tenge	KZT	233.71997	220.67414	370.06902	207.55000	231.05000	303.47000	375.52000
Moldovan leu	MDL	18.63509	20.08065	22.09941	17.48880	18.47930	22.59260	22.16110
Moroccan dirham	MAD	11.21069	10.88235	10.86310	11.20510	11.07545	10.87815	10.91235
Norwegian krone	NOK	8.26985	8.75905	9.36916	8.11400	8.11900	9.52450	8.98650
Pakistani rupee	PKR	138.88143	117.20413	116.46653	143.13720	129.39590	117.25160	116.96670
Polish zloty	PLN	4.17814	4.17060	4.33360	4.22880	4.17760	4.24480	4.31920
Pound sterling	GBP	0.81927	0.74305	0.78209	0.83605	0.77730	0.73850	0.86103
Romanian leu	RON	4.44849	4.43956	4.47856	4.46200	4.41020	4.41760	4.45370
Russian rouble	RUB	47.09572	64.80626	75.28270	43.82400	49.76530	73.24160	70.51400
Serbian dinar	RSD	115.74586	120.61782	122.49388	114.60440	118.85090	119.74910	123.29290
Singapore dollar	SGD	1.70377	1.54440	1.53280	1.69610	1.60630	1.59210	1.52350
Swiss franc	CHF	1.22078	1.09807	1.09130	1.22250	1.20630	1.09150	1.08760
Turkish lira	TRY	2.88971	2.93219	3.25276	2.75100	2.87790	3.39030	3.35760
Ukrainian hryvnia	UAH	13.95118	22.42906	27.55541	10.82012	16.44676	23.85750	28.94817
US dollar	USD	1.35691	1.14863	1.11098	1.35050	1.25830	1.12030	1.11610
Vietnamese dong	VND	28,673.35000	24,661.11000	24,274.08000	28,474.33000	27,428.59000	24,963.36000	24,585.96000

Combined income statement

Recognition of income and expenses

In accordance with IAS 18 (Revenue), net 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.

Result from associates and joint ventures

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. This essentially concerns earnings shares of real estate companies that own properties used by MWFS GROUP. The earnings of non-operating companies recognised at equity are shown in the net financial result in the item earnings share of non-operating companies recognised at equity. This provides for greater transparency of MWFS GROUP's operations.

Performance-based **government grants** attributable to future periods are recognised on an accrual basis according to the corresponding expenses and shown as other operating income. 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 MWFS GROUP 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.

Combined balance sheet

Goodwill

Goodwill is capitalised in accordance with IFRS 3 (Business Combinations) insofar as the acquisition was made by legal entities of the combination group. Goodwill resulting from business combinations is attributed to the group of so-called cash-generating units (CGUs) which 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 which generates cash inflows largely independently from the cash inflows of other assets or groups of assets. As a rule, single locations represent CGUs at MWFS GROUP. For internal management purposes, goodwill within MWFS GROUP is monitored at the level of the organisational unit sales line per country until 30 September 2015 and, from 1 October 2015, at the level of the three clusters Horeca, Traders and Multispecialists at METRO Cash & Carry, and Real. 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:

Direct costs	Direct material costs
	Direct production costs
	Special direct production costs
Overhead	Material overhead
(directly attributable)	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. No qualified assets were identified in financial years 2015/16, 2014/15 and 2013/14.

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 MWFS GROUP 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 ten 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 used in operations for a period of more than one year 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 purchase or manufacturing cost of the corresponding asset, with no item of deferral formed 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 MWFS GROUP.

Property, plant and equipment are solely depreciated on a linear basis using the cost model pursuant to IAS 16. The optional revaluation model is not applied. Throughout the combination 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 an MWFS GROUP company acting as lessee, the leased asset is capitalised at fair value or at the lower present value of the minimum lease payments when the lease is signed. Analogous to the comparable purchased property, plant and equipment, leased assets are subject to 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 combined 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 two 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 to the combined financial statements. It is determined on the basis of recognised measurement methods, including an assessment and the consideration of project development opportunities.

Financial instruments

Financial assets (financial investments) that do not represent associates under IAS 28 (Investments in Associates) 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 into 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 MWFS GROUP. For clarification purposes, the entire category is referred to as "held for trading" in the notes to the combined 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 recent actual 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 three categories. MWFS GROUP 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 outside of profit or loss. Fluctuations in the fair value of "available for sale" financial assets are recognised outside of profit or loss in combined other comprehensive income. The amounts recognised are not reclassified to combined profit or loss for the 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 MWFS GROUP. 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 combined 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 combined 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 combined 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, investments and 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 combined 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. For more information about the tax assets of the German group of incorporated companies, which have been recognised in the combination group using the group allocation approach, see the explanations in principles of combination in this chapter.

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 consequences arising from how MWFS GROUP 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 anticipated 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.

MWFS GROUP’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).

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 year as well as prior years. 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.

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 three 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 twelve 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 combined balance sheet. Analogously, liabilities related to assets held for sale are presented separately in the combined balance sheet.

In accordance with IFRS 5, a discontinued operation is recognised as a discontinued operation 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 geographic business operation, which forms part of an individual, approved plan for divestment of a separate material business operation or geographic 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 of carrying amount and fair value less costs to sell. Discontinued operations are shown separately in the combined income statement, the combined balance sheet, the combined cash flow statement and segment reporting, and explained in the notes to the combined financial statements.

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 has been performed.

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 twelve 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 combined other comprehensive income outside of profit or loss. Effects of plan changes and curtailments are recognised fully under service costs through profit or loss. The interest element of the addition to the provision contained in the pension expense is 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 twelve 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 combined 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 transactions 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 comprise only 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" was 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 MWFS GROUP.

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 in the notes to the combined financial statements 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 to the combined financial statements. 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 were used in accordance with the respective group guideline of METRO GROUP.

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 MWFS GROUP; for this, the average rate on the closing dates 30 September 2016, 30 September 2015, 30 September 2014 or 1 October 2013 is used. Where no stock exchange prices are 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 combined other comprehensive income outside of profit or loss. A transfer to the combined 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 supplier discounts, reimbursement or payment for services rendered. Supplier compensation is accrued as of the closing date insofar as it has been contractually agreed 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
Assets	
Goodwill	Cost of acquisition
Other intangible assets	
Purchased other intangible assets	(Amortised) cost
Internally generated intangible assets	Amortised 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
Equity and liabilities	
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 combined 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 combined financial statements can be found in the following notes to the combined financial statements:

— Determination of the combination group through an assessment of the economic activities of MWFS GROUP applying the common control approach (chapter *combination group*); this concerns all assets and liabilities as well as expenses and income of METRO GROUP, particularly those of the mixed companies, which cannot be uniformly attributed to MWFS GROUP or CE GROUP

- Classification of leases as finance lease or operating lease – including sale-and-lease-back transactions (no. 2 – *other operating income* and no. 20 – *property, plant and equipment*)
- Determination whether MWFS GROUP acts as principal or agent in sales transactions (no. 1 – *sales*)
- Estimation of the expected date of execution 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*).

Estimates and assumptions

Information on estimates and underlying assumptions with significant effects on these combined financial statements is included in the following notes to the combined financial statements:

- Uniform determination of useful lives for assets with a definite useful life within the combination group (no. 14 – *depreciation/amortisation/impairment losses*, no. 19 – *other intangible assets* and no. 20 – *property, plant and equipment*)
- Event-related impairment tests relating to assets with a definite useful life (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)
- 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 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, restructuring, warranties, taxes and risks emerging from legal proceedings and litigation (no. 33 – *other provisions (non-current)/provisions (current)*)

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 combined financial statements are regularly reviewed. Changes are taken into account at the time new information becomes available.

Capital management

In financial years 2015/16, 2014/15 and 2013/14 presented here, METRO Wholesale & Food Specialist AG was not yet the holding company of MWFS GROUP. In the reporting periods, capital management for the entire METRO GROUP including MWFS GROUP was conducted at the level of METRO AG. METRO Wholesale & Food Specialist AG will essentially adopt METRO AG's capital management strategy and the objectives of METRO AG's capital management for MWFS GROUP.

The aim of the capital management strategy is to secure the company's continued business operations, to enhance its enterprise value, to create solid capital resources to finance its profitable growth and to provide for attractive dividend payments and capital service. In addition, the capital management strategy consistently aims to ensure that the capital resources of the entities of the combination group comply with local requirements. During the reporting periods, all external capital requirements were met. This includes, for example, adherence to a defined level of indebtedness or a fixed equity ratio.

Equity and liabilities and net debt in the combined financial statements

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Equity	**989**	**826**	**2,651**	**2,924**
Liabilities	**16,700**	**16,277**	**16,074**	**13,068**
Net debt	**6,535**	**6,069**	**3,815**	**3,051**
Borrowings (incl. finance leases)	8,048	7,588	7,675	4,740
Cash and cash equivalents according to the combined balance sheet	1,506	1,512	3,436	1,599
Short-term financial investments[1]	7	7	424	90

[1] Shown in the combined balance sheet under other financial and non-financial assets (current)

Equity is explained in the notes to the combined financial statements in no. 31 – *equity*.

Notes on business combinations

Business combinations in financial year 2015/16

Rungis express group

Pursuant to the sale and purchase agreement dated 12 February 2016, METRO FSD Holding GmbH (an MWFS GROUP company) acquired 100 per cent of the shares in Rungis express AG, Meckenheim, and its investments in Germany, Austria, Switzerland as well as Spain and Portugal. The acquisition was completed on 1 April 2016. The purchase price, an amount in the middle double-digit millions, was paid in cash. The responsible antitrust authorities and the METRO AG Supervisory Board had approved the transaction ahead of time.

The Rungis express group is one of the leading providers in the food service distribution business focusing on direct delivery of premium foods to customers in the hotel, restaurant and catering sectors. The company was part of the Cool Chain Group, which operates various retail and logistics businesses. The acquisition marks an important step towards MWFS GROUP's goal of establishing itself as the leading multichannel food service provider in Germany. As of 1 April 2016, the Rungis express group had about 600 employees and was part of the METRO Cash & Carry sales line.

As of the acquisition date, the fair values of the acquired assets and liabilities of Rungis express group can be broken down as follows:

€ million	
Assets	
Other intangible assets	30
Trader's brand	21
Customer relationships	9
Property, plant and equipment	1
Financial investments (non-current)	5
Inventories	3
Other financial and non-financial assets (current)	7
Cash and cash equivalents	3
	49
Liabilities	
Other provisions (non-current)	0
Borrowings (non-current)	1
Deferred tax liabilities	12
Borrowings (current)	5
Trade liabilities	6
Other financial and non-financial liabilities and provisions (current)	6
	30

The initial consolidation of the Rungis express group was effected on 1 April 2016 based on preliminary purchase price allocation. The measurement of assets and liabilities must therefore be considered preliminary. The acquisition of Rungis express AG and its subsidiaries resulted in goodwill of €37 million. The goodwill represents mostly expected synergies from the integration of the Rungis express group into METRO Cash & Carry's existing operations.

From the date of first-time consolidation, 1 September 2015, the Rungis express group contributed €70 million to sales and €1 million to combined profit for the period in financial year 2015/16. If the company had been acquired on 1 October 2015, the Rungis express group would have contributed €139 million to MWFS GROUP's sales and €1 million to combined profit for the period.

Business combinations in financial year 2014/15

Classic Fine Foods group

Pursuant to the sale and purchase agreement dated 6 August 2015, METRO Cash & Carry International Holding B. V. (an entity of MWFS GROUP) acquired a 96.52 per cent share in the Classic Fine Foods group from Klassisk Holding Limited. The Classic Fine Foods group is a leading Asian premium food service provider with operations in Asia and the Middle East. The acquisition of the Classic Fine Foods group will enable MWFS GROUP to tap new business areas in the field of food service distribution. The first-time consolidation was effected on 1 September 2015. The purchase price, an amount of €276 million, was paid in cash. The Classic Fine Foods group is part of the METRO Cash & Carry sales line.

As of the acquisition date, the fair values of the acquired assets and liabilities of the consolidated Classic Fine Foods group can be broken down as follows:

€ million	
Assets	
Other intangible assets	110
Trader's brand	48
Customer relationships	62
Property, plant and equipment	4
Financial investments (non-current)	1
Inventories	22
Other financial and non-financial assets (current)	31
Cash and cash equivalents	25
	193
Liabilities	
Other provisions (non-current)	1
Deferred tax liabilities	19
Trade liabilities	14
Other financial and non-financial liabilities and provisions (current)	26
	60

With regard to the determination of the final purchase price and the valuation of assets and liabilities of the opening balance sheet, the first-time consolidation of the Classic Fine Foods group should be seen as provisional. For more information about adjustments during the measurement period, see the explanations in no. 18 – *goodwill*.

A put option for the remaining 3.48 per cent share in the company was granted in the sale and purchase agreement. This put option was measured at its fair value and carried as a liability. In addition, the purchase agreement includes contingent considerations in the form of earn-outs. These are tied to the realisation of certain results agreed upon in the sale and purchase agreement. The obligations from the put option and the earn-outs represent an amount in the lower double-digit millions and are recognised under other liabilities of MWFS GROUP.

Due to the existing put option, which is accounted for using the anticipated acquisition method, the acquisition is accounted for as if 100 per cent of the shares had been acquired.

The acquisition of the Classic Fine Foods group resulted in goodwill of €143 million. The goodwill represents mostly expected synergies from the integration of the Classic Fine Foods group into METRO Cash & Carry's existing operations. From the date of first-time consolidation, 1 September 2015, the Classic Fine Foods group contributed €18 million to sales and €1 million to combined profit for the period in financial year 2014/15. The Classic Fine Foods group has about 800 employees.

If the company had been acquired on 1 October 2014, the Classic Fine Foods group would have contributed €215 million to MWFS GROUP's sales in financial year 2014/15 and €24 million to combined profit for the period.

Notes to the combined income statement

1. Sales

Net sales primarily result from the sale of goods and can be broken down as follows:

€ million	2013/14	2014/15	2015/16
METRO Cash & Carry (in the future: METRO Wholesale)	30,516	29,692	29,000
Real	8,390	7,736	7,478
Others	64	67	72
	38,970	**37,496**	**36,549**

Sales developments by business and geographical segments are presented in segment reporting.

At €57 million, sales shown in the Others segment primarily concern the four remaining Real stores in Romania (2014/15: €49 million; 2013/14: €42 million). In addition, €15 million in commission income of MGB METRO Group Buying HK Ltd. from third-party business was generated in financial year 2015/16 (2014/15: €17 million; 2013/14: €17 million).

Of total sales, €24 billion (2014/15: €25 billion; 2013/14: €26 billion) is attributable to international entities of the combination group.

2. Other operating income

€ million	2013/14	2014/15	2015/16
Rents incl. reimbursements of incidental rental costs	395	386	343
Services/cost refunds	288	216	190
Services rendered to suppliers	208	167	157
Gains from the disposal of fixed assets and gains from the reversal of impairment losses	193	235	100
Income from deconsolidation	44	37	452
Miscellaneous	228	224	221
	1,357	**1,264**	**1,462**

Income from services/cost refunds essentially concerns services rendered to third parties including related parties. For more information, see no. 49 – *notes on related parties*.

Services rendered to suppliers essentially relate to the segments METRO Cash & Carry at €145 million (2014/15: €157 million; 2013/14: €174 million) and Real at €7 million (2014/15: €5 million; 2013/14: €28 million). At €8 million, the decline in the METRO Cash & Carry segment results from the sale of MAKRO Cash & Carry Wholesale S. A. in Greece in January 2015 (2015/16: €0 million; 2014/15: €8 million) as well as €6 million from the sale of the wholesale activities in Vietnam, which was effected in December 2015 (2015/16: €3 million; 2014/15: €9 million). The decline in financial year 2014/15 compared with financial year 2013/14 essentially results from the sale of Real's business in Poland (€23 million) and the sale of the wholesale activities in Greece (€20 million).

Gains from the disposal of fixed assets and gains from the reversal of impairment losses primarily include income in the amount of €53 million from the disposal of real estate that will be used fully or for the most part by third parties in the future (2014/15: €200 million; 2013/14: €65 million). This includes income of €5 million from the sale of real estate assets that MWFS GROUP plans to continue to use under tenancy agreements (2014/15: €16 million; 2013/14: €111 million). In financial year 2013/14, this mainly concerns the sale of individual office properties at METRO GROUP's headquarters in Düsseldorf. In addition, this item essentially includes gains from the reversal of impairment losses in the amount of €11 million (2014/15: €14 million; 2013/14: €10 million).

Income from deconsolidation includes income from the disposal of the wholesale activities in Vietnam totalling €451 million (2014/15: €34 million from the sale of the wholesale activities in Greece; 2013/14: €44 million from the disposal of Real's business in Eastern Europe in particular).

Miscellaneous other operating income particularly includes income from logistics services in the amount of €61 million (2014/15: €74 million; 2013/14: €76 million). Among others, this item

also includes income from compensation of €10 million (2014/15: €19 million; 2013/14: €15 million), public-sector subsidies of €7 million (2014/15: €7 million; 2013/14: €6 million), income from the derecognition of lapsed liabilities of €3 million (2014/15: €5 million; 2013/14: €9 million) and income from other commissions of €2 million (2014/15: €4 million; 2013/14: €3 million).

3. Selling expenses

€ million	2013/14	2014/15	2015/16
Personnel expenses	3,386	3,305	3,231
Non-personnel expenses	3,294	3,044	2,940
	6,680	**6,350**	**6,171**

The decline in personnel expenses by €74 million in financial year 2015/16 essentially results from store closures at Real Germany. The decline of €81 million in financial year 2014/15 is essentially due to the sale of Real's Eastern European business.

The non-personnel expenses have also declined over the past few years. In financial year 2015/16, store closures, in particular, resulted in lower depreciation/amortisation/impairment losses, energy costs, rental expenses and maintenance costs. As a result, the non-personnel expenses declined by €104 million. The decline in depreciation/amortisation/impairment losses was also impacted by impairment losses in the previous year. In financial year 2014/15, lower energy costs, advertising expenses and levies, contributions and fees caused the non-personnel expenses to decline by €250 million.

4. General administrative expenses

€ million	2013/14	2014/15	2015/16
Personnel expenses	458	518	592
Non-personnel expenses	403	474	466
	861	**992**	**1,058**

In the item general administrative expenses, personnel expenses increased compared with the two previous years. The increase in personnel expenses in financial year 2015/16 essentially results from an increase in restructuring expenses as well as higher wages and salaries. The opposite effect was produced by variable remuneration. The increase in personnel expenses in financial year 2014/15 can essentially be attributed to higher variable remuneration paid in connection with special bonus commitments.

In financial year 2015/16, the non-personnel expenses decreased by €8 million. Lower expenses from operating leases, levies and fees as well as other taxes were partially offset by higher expenses for consulting services. The increase in the non-personnel expenses by €71 million in financial year 2014/15 stems largely from consulting expenses, rental expenses from operating leases as well as other taxes.

5. Other operating expenses

€ million	2013/14	2014/15	2015/16
Impairment losses on goodwill	0	12	0
Losses from the disposal of fixed assets	20	23	18
Miscellaneous	99	103	87
	119	**137**	**105**

In financial year 2014/15, impairment losses on goodwill related to METRO Cash & Carry Pakistan at €10 million and to METRO Cash & Carry Japan at €2 million.

Losses from the disposal of fixed assets essentially include expenses related to the disposal of other plant, business and office equipment in the amount of €14 million (2014/15: €21 million; 2013/14: €17 million).

Miscellaneous other operating expenses include, in particular, freight costs in the amount of €49 million (2014/15: €58 million; 2013/14: €61 million). In addition, they include expenses from

the distribution of synergies totalling €11 million (2014/15: €17 million; 2013/14: €19 million), which essentially concern related parties. For more information, see no. 49 – *notes on related parties*.

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 combined income statement in the EBIT item earnings share of operating companies recognised at equity. They amount to €102 million, €89 million of which is the investment result of EZW Kauf- und Freizeitpark GmbH & Co. Kommanditgesellschaft, which is materially impacted by the sale of the shares during the financial year. In addition, they include €6 million from foreign real estate companies holding stakes in METRO Cash & Carry stores.

As in the past, the earnings share of non-operating companies recognised at equity is shown in the net financial result and amounts to €3 million (2014/15: €2 million; 2013/14: €9 million).

7. Other investment result

The other investment result amounts to €-3 million (2014/15: €1 million; 2013/14: €78 million), respectively. The decline is primarily due to impairment losses on the investment in Diehl & Brüser Handelskonzepte GmbH. The sharp decline in the investment result in financial year 2014/15 compared with the previous year is largely due to the sale of the 9 per cent stake in Booker Group PLC in the amount of €62 million in financial year 2013/14.

8. Interest income/interest expenses

The interest result can be broken down as follows:

€ million	**2013/14**	**2014/15**	**2015/16**
Interest income	42	55	65
thereof finance leases	(3)	(3)	(0)
thereof from post-employment benefits plans	(4)	(6)	(7)
thereof from financial instruments of the measurement categories according to IAS 39:			
loans and receivables incl. cash and cash equivalents	(28)	(34)	(20)
held to maturity	(0)	(0)	(0)
held for trading incl. derivatives in a hedging relationship according to IAS 39	(5)	(4)	(2)
available for sale	(0)	(0)	(0)
Interest expenses	-404	-309	-276
thereof finance leases	(-92)	(-83)	(-86)
thereof from post-employment benefits plans	(-20)	(-19)	(-19)
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	(-9)	(-6)	(-3)
other financial liabilities	(-257)	(-187)	(-147)
	-362	**-253**	**-210**

Interest income and interest expenses from financial instruments are assigned to IAS 39 measurement categories on the basis of the underlying transaction.

The increase in interest income is essentially due to interest income from tax refunds relating to other periods.

Interest expenses in the measurement category "other financial liabilities" primarily include interest expenses for issued bonds (including the commercial paper programme) of €98 million (2014/15: €130 million; 2013/14: €196 million) and for liabilities to banks of €18 million (2014/15: €38 million; 2013/14: €37 million).

The decline in interest expenses in the past three financial years was the result of both more favourable refinancing terms and lower debt.

9. Other financial result

The other financial income and expenses from financial instruments are assigned to measurement categories on the basis of the underlying transactions pursuant to IAS 39.

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	2013/14	2014/15	2015/16
Other financial income	128	261	89
thereof currency effects	(86)	(164)	(62)
thereof hedging transactions	(36)	(86)	(23)
Other financial expenses	-383	-405	-204
thereof currency effects	(-154)	(-289)	(-96)
thereof hedging transactions	(-21)	(-33)	(-37)
Other financial result	**-255**	**-143**	**-114**
thereof from financial instruments of the measurement categories according to IAS 39:			
loans and receivables incl. cash and cash equivalents	(-27)	(-24)	(-7)
held to maturity	(0)	(0)	(0)
held for trading	(-22)	(12)	(-26)
available for sale	(0)	(0)	(0)
other financial liabilities	(-60)	(-116)	(-49)
thereof fair value hedges:			
underlying transactions	(0)	(0)	(0)
hedging transactions	(0)	(0)	(0)
thereof cash flow hedges:			
ineffectiveness	(9)	(-9)	(-1)

The combined overall result from currency effects and measurement results from hedging transactions and hedging relationships totalled €-48 million (2014/15: €-71 million; 2013/14: €-52 million). In all three reporting periods, this figure largely results from foreign currency financings in Eastern Europe. In addition, the other financial result reflects €-24 million (2014/15: €0 million; 2013/14: €-144 million) in negative currency effects resulting from the translation of the financial statements of foreign subsidiaries that are recognised through profit or loss in the year the subsidiary is deconsolidated or in the year business activities are discontinued. In financial year 2013/14, this largely concerned negative one-time effects from the sale of Real Turkey and Real Poland.

For more information about possible effects from currency risks, see no. 44 – *management of financial risks*.

10. Net results according to measurement categories

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

2013/14 € million	Investments	Interest	Fair value measurement	Currency translation	Disposals	Impairments	Other	Net result
Loans and receivables incl. cash and cash equivalents	0	28	0	-25	-1	-20	0	-18
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	-4	16	0	0	0	-29	-16
Available for sale	78	0	0	0	0	0	0	78
Other financial liabilities	0	-257	0	-43	9	0	-17	-308
	78	**-232**	**16**	**-68**	**8**	**-20**	**-46**	**-265**

2014/15 € million	Investments	Interest	Fair value measurement	Currency translation	Disposals	Impairments	Other	Net result
Loans and receivables incl. cash and cash equivalents	0	34	0	-23	0	-14	-1	-3
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	-2	53	0	0	0	-51	1
Available for sale	1	0	0	0	0	0	0	1
Other financial liabilities	0	-187	0	-101	5	0	-15	-298
	1	**-155**	**53**	**-124**	**5**	**-14**	**-66**	**-299**

2015/16 € million	Investments	Interest	Fair value measurement	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
	-3	**-128**	**-14**	**-34**	**4**	**-26**	**-32**	**-234**

Income and expenses from financial instruments are assigned to measurement categories on the basis of the underlying transactions pursuant to IAS 39.

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 derecognition 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. In this context, please also see our explanations on the particularities of determining deferred taxes in the chapter accounting principles and methods used in the combined financial statements.

€ million	2013/14	2014/15	2015/16
Actual taxes	317	257	271
thereof Germany	(13)	(3)	(32)
thereof international	(304)	(254)	(239)
thereof tax expenses/income of current period	(290)	(276)	(316)
thereof tax expenses/income of previous periods	(27)	(-19)	(-45)
Deferred taxes	97	-57	104
thereof Germany	(105)	(-67)	(77)
thereof international	(-8)	(10)	(27)
	413	**201**	**375**

The income tax rate of the German companies of MWFS GROUP consists of a corporate income tax of 15.00 per cent plus a 5.50 per cent solidarity surcharge on corporate income tax as well as the trade tax of 14.70 per cent given an average assessment rate of 420.00 per cent. All in all, this results in an aggregate tax rate of 30.53 per cent. The tax rates were applied consistently during the presented period. The foreign income tax rates are based on the respective laws and regulations of the individual countries and vary within a range of 0.00 per cent (tax holidays) to 38.00 per cent and are also constant over the presented period.

In financial year 2015/16, the tax income from previous periods relates to tax refunds in the context of audits conducted at foreign subsidiaries.

In financial year 2015/16, deferred tax expenses include expenses of €4 million from changes in tax rates (2014/15: expenses of €4 million; 2013/14: income of €2 million).

€ million	**2013/14**	**2014/15**	**2015/16**
Deferred taxes in the combined income statement	97	-57	104
thereof from temporary differences	(154)	(23)	(51)
thereof from loss and interest carry-forwards	(-57)	(-80)	(53)

At €375 million (2014/15: €201 million; 2013/14: €413 million), income tax expenses are €102 million (2014/15: €59 million; 2013/14: €270 million) higher than expected income tax expenses of €273 million (2014/15: €142 million; 2013/14: €143 million) that would have resulted if the German corporate income tax rate had been applied to MWFS GROUP's taxable income for the year.

Reconciliation of estimated to actual income tax expenses is as follows:

€ million	**2013/14**	**2014/15**	**2015/16**
EBT (earnings before taxes)	**469**	**466**	**894**
Expected income tax expenses (30.53%)	143	142	273
Effects of differing national tax rates	-42	-47	-64
Tax expenses and income relating to other periods	27	-19	-45
Non-deductible business expenses for tax purposes	85	77	67
Effects of not recognised or impaired deferred taxes	224	51	176
Additions and reductions for local taxes	3	20	1
Tax holidays	-24	-17	-36
Other deviations	-2	-6	3
Income tax expenses according to the income statement	**413**	**201**	**375**
Tax rate of MWFS GROUP	**88.1%**	**43.1%**	**42.0%**

The development of the item effects of not recognised or impaired deferred taxes essentially comprises effects from losses in Germany that were not measured with deferred tax assets. In 2015, a positive one-time effect from the implementation of a new transfer pricing system was recorded in this context.

12. Combined profit or loss for the period attributable to non-controlling interests

Profit or loss for the period attributable to non-controlling interests relates to profit shares at €13 million (2014/15: €11 million; 2013/14: €16 million) and did not include loss shares in the past three financial years.

13. Earnings per share (pro forma)

Given the special importance of this metric for capital markets, MWFS GROUP has decided to disclose earnings per share. This is a pro forma disclosure that is not required by the IFRS as these financial statements are combined financial statements and as such no shares exist. In consideration of the number of shares planned for the implementation until the date of the stock exchange listing, the calculation was based on a total number of 363,097,253 shares. The earnings figure on which this calculation is based is combined profit or loss for the period of MWFS GROUP.

	2013/14	2014/15	2015/16
Weighted number of no-par-value shares to be issued	363,097,253	363,097,253	363,097,253
Combined profit or loss for the period attributable to METRO GROUP (€ million)	40	254	506
Earnings per share in €	**0.11**	**0.70**	**1.39**

In financial year 2015/16, earnings per preference share to be issued amount to €1.45 (2014/15: €0.76; 2013/14: €0.17) and thus exceed earnings per share by the amount of the additional dividend of €0.06 (2014/15: €0.06; 2013/14: €0.06).

14. Depreciation/amortisation/impairment losses

Depreciation/amortisation/impairment losses of €710 million (2014/15: €760 million; 2013/14: €764 million) include impairment losses totalling €25 million (2014/15: €90 million; 2013/14: €77 million), with €21 million (2014/15: €50 million; 2013/14: €68 million) relating to property, plant and equipment and €3 million (2014/15: €2 million; 2013/14: €3 million) to other intangible assets.

In financial year 2015/16, impairment losses result from impairments of property, plant and equipment at MAKRO Cash & Carry Poland in the amount of €10 million as well as at METRO Cash & Carry Netherlands in the amount of €4 million. In financial year 2014/15, impairment losses included recognised impairment losses on goodwill at METRO Cash & Carry Pakistan and METRO Cash & Carry Japan in the amount of €90 million that were due to negative business development in these countries. In addition, these impairment losses relate to property, plant and equipment totalling €48 million and investment properties in the amount of €26 million.

In financial year 2013/14, impairment losses were comprised as follows: The portfolio changes and selling space optimisations at METRO Cash & Carry required impairments of property, plant and equipment in the amount of €34 million. Impairments related to the disposal of Real's business operations in Turkey also contributed €14 million to impairment losses.

The attribution of depreciation/amortisation/impairment losses in the combined income statement and the affected asset categories is as follows:

€ million	2013/14	2014/15	2015/16
Cost of sales	11	13	13
thereof depreciation/amortisation	(11)	(13)	(13)
thereof impairment losses	(0)	(0)	(0)
Selling expenses	682	662	621
thereof depreciation/amortisation	(606)	(587)	(597)
thereof impairment losses	(76)	(75)	(24)
General administrative expenses	70	74	75
thereof depreciation/amortisation	(70)	(70)	(74)
thereof impairment losses	(1)	(4)	(1)
Other operating expenses	0	12	0
thereof impairment losses	(0)	(12)	(0)
Net financial result	0	0	0
thereof impairment losses	(0)	(0)	(0)
	764	**760**	**710**

€ million	2013/14	2014/15	2015/16
Goodwill	0	12	0
thereof impairment losses	(0)	(12)	(0)
Other intangible assets	78	80	88
thereof depreciation/amortisation	(75)	(78)	(85)
thereof impairment losses	(3)	(2)	(3)
Property, plant and equipment	669	626	605
thereof depreciation/amortisation	(601)	(576)	(585)
thereof impairment losses	(68)	(50)	(21)
Investment properties	17	43	16
thereof depreciation/amortisation	(11)	(16)	(15)
thereof impairment losses	(6)	(26)	(1)
Financial assets[1]	0	0	0
thereof impairment losses	(0)	(0)	(0)
Assets held for sale	0	0	0
thereof impairment losses	(0)	(0)	(0)
	764	**760**	**710**

[1] Including investments measured at cost and accounted for using the equity method

Of impairment losses, METRO Cash & Carry accounted for €20 million (2014/15: €58 million; 2013/14: €51 million), Real for €1 million (2014/15: €5 million; 2013/14: €17 million) and other companies for €4 million (2014/15: €27 million; 2013/14: €9 million).

15. Cost of materials

The cost of sales includes the following cost of materials:

€ million	2013/14	2014/15	2015/16
Cost of goods purchased	31,129	29,833	28,956
Cost of services purchased	36	40	44
	31,165	**29,873**	**29,000**

16. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2013/14	2014/15	2015/16
Wages and salaries	3,430	3,453	3,439
Social security expenses, expenses for post-employment benefits and related employee benefits	824	799	794
	4,254	**4,253**	**4,233**

Wages and salaries shown in personnel expenses include expenses relating to restructurings and severance payments of €224 million (2014/15: €152 million; 2013/14: €94 million). Variable remuneration based on the EBITaC metric declined to €75 million in financial year 2015/16 (2014/15: €119 million; 2013/14: €82 million). Wages and salaries also include expenses for share-based payments totalling €26 million (2014/15: €6 million; 2013/14: €2 million).

In Germany, 3,698 beneficiaries were offered to switch their future benefits from post-employment benefits plans into a one-time capital payment. 1,586 beneficiaries made use of this offer. This resulted in income of €7.5 million.

Annual average number of MWFS GROUP employees:

Number of employees by headcount	2013/14	2014/15	2015/16
Blue collar/white collar	168,260	161,349	153,442
Apprentices/trainees	4,974	4,055	3,410
	173,234	**165,404**	**156,852**

This includes an absolute number of 41,521 (2014/15: 42,887; 2013/14: 45,173) part-time employees. The number of employees working outside of Germany stood at 97,429 (2014/15: 104,354; 2013/14: 110,712).

17. Other taxes

Other taxes (essentially tax on land and buildings, motor vehicle tax, excise tax and transaction tax) can be broken down as follows:

€ million	2013/14	2014/15	2015/16
Other taxes	**112**	**115**	**107**
thereof from cost of sales	(1)	(2)	(4)
thereof from selling expenses	(88)	(77)	(80)
thereof from general administrative expenses	(23)	(36)	(23)

Notes to the combined balance sheet

18. Goodwill

Goodwill amounts to €852 million (30/9/2015: €804 million; 30/9/2014: €651 million; 1/10/2013: €657 million).

In the context of the preparation of the combined financial statements, goodwill resulting from business combinations at the level of METRO AG or its legal predecessors was not absorbed in accordance with IFRS 1 D16 (a). For more information, see the explanations in the chapter accounting principles and methods used in the combined financial statements.

In financial year 2015/16, the acquisition of the Rungis express group by METRO Cash & Carry resulted in goodwill of €37 million. The initial consolidation of Spanish food service distribution company MIDBAN ESOLUTIONS S.L. resulted in an addition to goodwill of €10 million.

In financial year 2014/15, the acquisition of the Classic Fine Foods group by METRO Cash & Carry resulted in new goodwill of €143 million to be recognised. In financial year 2015/16, the goodwill of Classic Fine Foods was adjusted by €1 million in the context of the final purchase price allocation.

In financial year 2015/16, non-controlling shareholders of METRO Cash & Carry Romania exercised their put options in METRO GROUP. MWFS GROUP is thus the sole owner of METRO Cash & Carry Romania. As a result, there was no change in goodwill in financial year 2015/16 (30/9/2015: increase by €21 million; 30/9/2014: decline of €7 million).

At 30 September 2016, 30 September 2015, 30 September 2014 and 1 October 2013, the breakdown of goodwill among the following groups of cash-generating units and/or sub-segments was as follows:

	1/10/2013		30/9/2014		30/9/2015		30/9/2016	
		WACC		WACC		WACC		WACC
	€ million	%	€ million	%	€ million	%	€ million	%
METRO Cash & Carry Germany	223	5.8	223	5.7	223	5.4	–	–
Rungis express group	0	–	0	–	0	–	–	–
Classic Fine Foods group	0	–	0	–	143	0	–	–
METRO Cash & Carry France	123	5.8	123	5.7	123	5.4	–	–
Horeca total	**346**	**–**	**346**	**–**	**489**	**–**	**538**	**6.3**
METRO Cash & Carry Hungary	112	8.1	112	8.0	112	7.5	–	–
Miscellaneous	31	–	32	–	21	–	–	–
Multispecialists total	**143**	**–**	**144**	**–**	**133**	**–**	**132**	**7.4**
METRO Cash & Carry Romania	61	7.9	54	7.3	75	6.8	–	–
METRO Cash & Carry Poland	44	6.4	44	6.5	44	6.2	–	–
Traders total	**105**	**–**	**98**	**–**	**119**	**–**	**119**	**9.5**
METRO Cash & Carry total	594	–	588	–	741	–	789	–
Real Germany	60	5.8	60	5.7	60	5.4	60	5.1
Miscellaneous	3	–	3	–	3	–	3	–
	657	**–**	**651**	**–**	**804**	**–**	**852**	**–**

As part of the rollout of the New Operating Model from 1 October 2015, the individual METRO Cash & Carry countries were classified to three clusters: Horeca, Multispecialists and Traders. The Horeca cluster includes France, Germany, Italy, Japan, Portugal, Spain, Turkey and Classic Fine Foods. Multispecialists include Austria, Belgium, Bulgaria, China, Croatia, the Czech Republic, Hungary, India, Kazakhstan, the Netherlands, Pakistan, Russia, Serbia and Slovakia. The Traders segment includes Moldova, Poland, Romania and Ukraine. In financial year 2015/16, goodwill monitoring is no longer conducted at the level of the organisational unit sales line per country, but at the level of the three clusters.

In accordance 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

organisational unit sales line per country for the closing dates of 30 September 2015, 30 September 2014 and 1 October 2013. From 1 October 2015, following the introduction of the New Operating Model, goodwill monitoring is effected at the level of the three clusters Horeca, Multispecialists and Traders at METRO Cash & Carry, and Real (for more information about the introduction of the New Operating Model, see above and the explanations in the chapter *accounting principles and methods used in the combined financial statements*). 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.

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 three years. It may amount to five years in the case of longer-term detailed planning in exceptional cases. The growth rate considered at the end of the detailed planning period is generally 1.0 per cent for all presented periods, with the exception of the group of the cash-generating unit Real Germany, for which a growth rate of 0.5 per cent is assumed for all presented periods. The capitalisation rate as the weighted average cost of capital (WACC) is determined using the capital asset pricing model. In the process, an individual peer group is assumed for all groups of cash-generating units operating in the same business segment. In addition, the capitalisation rates are determined on the basis of an assumed basic interest rate of 0.9 per cent (30/9/2015: 1.25 per cent; 30/9/2014: 2.5 per cent; 1/10/2013: 2.5 per cent) and a market risk premium of 6.75 per cent (30/9/2015: 6.75 per cent; 30/9/2014: 6.0 per cent; 1/10/2013: 6.5 per cent) in Germany as well as a beta factor of 1.03 (30/9/2015: 0.94; 30/9/2014: 0.87). 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 5.1 to 9.5 per cent (30/9/2015: 5.4 to 7.8 per cent; 30/9/2014: 5.7 to 8.9 per cent; 1/10/2013: 5.8 to 9.7 per cent).

The mandatory annual impairment test as of 30 September 2015 and 30 September 2014 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.

30 September 2015	**Sales**	**EBIT**	**EBIT margin**	**Detailed planning period (years)**
METRO Cash & Carry Germany	Slight growth	Strong growth	Strong growth	5
METRO Cash & Carry France	Slight growth	Slight growth	Unchanged	3
METRO Cash & Carry Poland	Slight growth	Substantial growth	Slight growth	5
METRO Cash & Carry Romania	Solid growth	Substantial growth	Substantial growth	3
METRO Cash & Carry Hungary	Slight growth	Substantial growth	Slight growth	5
Real Germany	Slight growth	Strong growth	Strong growth	4

30 September 2014	**Sales**	**EBIT**	**EBIT margin**	**Detailed planning period (years)**
METRO Cash & Carry Germany	Slight growth	Strong growth	Strong growth	5
METRO Cash & Carry France	Solid growth	Solid growth	Unchanged	3
METRO Cash & Carry Poland	Substantial growth	Strong growth	Slight growth	3
METRO Cash & Carry Romania	Slight growth	Unchanged	Unchanged	3
METRO Cash & Carry Hungary	Solid growth	Strong growth	Strong growth	5
Real Germany	Slight growth	Strong growth	Strong growth	5

In contrast, following the introduction of the New Operating Model, the mandatory annual impairment test as of 30 September 2016 resulted in the following assumptions for goodwill considered material 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)**
Horeca	Solid growth	Substantial growth	Slight growth	3
Multispecialists	Solid growth	Slight growth	Unchanged	3
Traders	Slight growth	Slight growth	Slight growth	4
Real Germany	Slight growth	Substantial growth	Slight growth	5

As of the closing dates of 30 September 2016, 30 September 2015, and 30 September 2014, the mandatory annual impairment test confirmed the recoverability of all capitalised goodwill in consideration of the exceptions listed in the following.

As early as 30 September 2015, capitalised goodwill of METRO Cash & Carry Japan was fully impaired in the amount of €2 million in light of business developments in that country. In addition, on 31 March 2015, full impairment of €10 million was already carried out on the goodwill of METRO Cash & Carry Pakistan.

In addition to the impairment test, three 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 per cent. In the third sensitivity analysis, a lump sum discount of 10.0 per cent was applied to assumed perpetual EBIT.

These changes to the underlying assumptions would not result in impairment losses at any of the groups of cash-generating units as of 30 September 2016. With the exception of METRO Cash & Carry Germany, these changes to the underlying assumptions would not result in impairment losses at any of the groups of cash-generating units as of 30 September 2015 and 30 September 2014.

In the goodwill impairment test at METRO Cash & Carry Germany as of 30 September 2015, the fair value less costs to sell exceeded the carrying amount by €46 million (30/9/2014: €33 million). A 0.5 percentage point lower growth rate (30/9/2014: 0.4 percentage point) or a capitalisation rate of 5.5 per cent instead of 5.4 per cent (30/9/2014: 5.8 per cent instead of 5.7 per cent) or an assumed perpetual EBIT of €93 million instead of €96 million (30/9/2014: €83 million instead of €86 million) would cause fair value less costs to sell at METRO Cash & Carry Germany to correspond to the carrying amount.

€ million	**Goodwill**
Acquisition or production costs	
As of 1/10/2013	673
Currency translation	1
Additions	0
Disposals	-7
Reclassifications under IFRS 5	0
As of 30/9 / 1/10/2014	668
Currency translation	0
Additions	164
Disposals	0
Reclassifications under IFRS 5	0
As of 30/9 / 1/10/2015	832
Currency translation	0
Additions	48
Disposals	0
Reclassifications under IFRS 5	0
As of 30/9/2016	880
Depreciation/amortisation/impairment losses	
As of 1/10/2013	16
Currency translation	0
Additions, non-scheduled	0
Disposals	0
Reclassifications under IFRS 5	0
As of 30/9 / 1/10/2014	16
Currency translation	-0
Additions, non-scheduled	12
Disposals	0
Reclassifications under IFRS 5	0
As of 30/9 / 1/10/2015	28
Currency translation	0
Additions, non-scheduled	0
Disposals	0
Reclassifications under IFRS 5	0
As of 30/9/2016	28
Carrying amount at 1/10/2013	**657**
Carrying amount at 30/9/2014	**651**
Carrying amount at 30/9/2015	**804**
Carrying amount at 30/9/2016	**852**

19. Other intangible assets

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
Acquisition or production costs		
As of 1/10/2013	1,388	(806)
Currency translation	-4	(-1)
Additions to combination group	0	(0)
Additions	84	(54)
Disposals	-50	(-19)
Reclassifications under IFRS 5	-5	(-1)
Transfers	-7	(-6)
As of 30/9 / 1/10/2014	1,407	(832)
Currency translation	-5	(-2)
Additions to combination group	110	(0)
Additions	88	(55)
Disposals	-7	(-1)
Reclassifications under IFRS 5	-2	(-1)
Transfers	7	(-2)
As of 30/9 / 1/10/2015	1,597	(881)
Currency translation	1	(0)
Additions to combination group	39	(0)
Additions	110	(60)
Disposals	-81	(-44)
Reclassifications under IFRS 5	0	(0)
Transfers	-7	(-3)
As of 30/9/2016	1,659	(894)
Depreciation/amortisation/impairment losses		
As of 1/10/2013	1,131	(663)
Currency translation	-3	(-1)
Additions, scheduled	75	(52)
Additions, non-scheduled	3	(0)
Disposals	-48	(-19)
Reclassifications under IFRS 5	-4	(-1)
Reversals of impairment losses	0	(-0)
Transfers	0	(-4)
As of 30/9 / 1/10/2014	1,152	(691)
Currency translation	-5	(-1)
Additions, scheduled	78	(56)
Additions, non-scheduled	2	(2)
Disposals	-6	(-0)
Reclassifications under IFRS 5	-2	(-1)
Reversals of impairment losses	0	(0)
Transfers	7	(-0)
As of 30/9 / 1/10/2015	1,226	(745)
Currency translation	1	(0)
Additions, scheduled	85	(54)
Additions, non-scheduled	3	(1)
Disposals	-69	(-36)
Reclassifications under IFRS 5	0	(0)
Reversals of impairment losses	0	(0)
Transfers	-7	(-21)
As of 30/9/2016	1,239	(744)
Carrying amount at 1/10/2013	**258**	**(143)**
Carrying amount at 30/9/2014	**254**	**(143)**
Carrying amount at 30/9/2015	**371**	**(136)**
Carrying amount at 30/9/2016	**420**	**(150)**

The other intangible assets have both finite and indefinite useful lives (brands due to unlimited uses). Intangible assets with a finite useful life are subject to depreciation/amortisation. Intangible assets with an indefinite useful life are subject to an annual impairment test. This impairment test concerns the Classic Fine Foods brand (€48 million) that was acquired in the context of the corporate acquisition of the Classic Fine Foods group in financial year 2014/15. The Classic Fine Foods brand was valued using the relief-from-royalty method applying a licence fee of 1 per cent of sales. For the capitalisation, a cost of capital of 7.6 per cent was assumed.

At €39 million, additions to the combination group in financial year 2015/16 include brands and customer relationships acquired in the context of the acquisition of the Rungis express group. At €62 million, the other additions to the combination group in financial year 2014/15 comprise the customer base that was also acquired in the context of the corporate acquisition of the Classic Fine Foods group.

Additions totalling €110 million (2014/15: €88 million; 2013/14: €84 million) relate to internally generated software at €60 million (2014/15: €55 million; 2013/14: €54 million), concessions, rights and licences at €16 million (2014/15: €15 million; 2013/14: €13 million) and purchased software at €33 million (2014/15: €18 million; 2013/14: €17 million).

The additions to depreciation/amortisation on other intangible assets are shown in general administrative expenses at an amount of €57 million (2014/15: €52 million; 2013/14: €49 million), in selling expenses at €28 million (2014/15: €25 million; 2013/14: €25 million) and in the cost of sales at €0 million (2014/15: €1 million; 2013/14: €1 million).

Impairment losses of €3 million (2014/15: €2 million; 2013/14: €3 million) concern internally generated software at €1 million (2014/15: €2 million; 2013/14: €1 million), lease and usage rights at €1 million (2014/15: €0 million; 2013/14: €2 million) and acquired concessions, rights and licences at €1 million (2014/15: €0 million; 2013/14: €0 million).

Research and development expenses recognised in expenses essentially concern internally generated software and amounted to €21 million in the current financial year (2014/15: €27 million; 2013/14: €26 million).

As in the previous years, there are no material limits to the title or right to dispose of intangible assets. Purchasing obligations for intangible assets amounting to €1 million (30/9/2015: €0 million; 30/9/2014: €0 million; 1/10/2013: €0 million) were recorded.

20. Property, plant and equipment

As of 30 September 2016, property, plant and equipment totalling €6,979 million (30/9/2015: €6,833 million; 30/9/2014: €7,250 million; 1/10/2013: €7,855 million) was recorded. The development of property, plant and equipment is shown in the following table.

€ million	Land and buildings	Other plant, business and office equipment	Assets under construction	Total
Acquisition or production costs				
As of 1/10/2013	9,810	4,865	188	14,863
Currency translation	-260	-72	-4	-336
Additions to combination group	96	0	0	96
Additions	78[1]	195	311[1]	584
Disposals	-251	-219	-10	-480
Reclassifications under IFRS 5	-165	-112	-5	-282
Transfers	-31	171	-252	-112
As of 30/9 / 1/10/2014	9,278	4,827	229	14,334
Currency translation	-421	-121	-35	-577
Additions to combination group	1	3	0	4
Additions	247[1]	241	321[1]	809
Disposals	-147	-241	-9	-397
Reclassifications under IFRS 5	-24	-50	0	-74
Transfers	95	125	-313	-93
As of 30/9 / 1/10/2015	9,029	4,785	193	14,007
Currency translation	-21	-5	-0	-27
Additions to combination group	1	3	0	4
Additions	289[1]	217	301	806
Disposals	-183	-356	-11	-550
Reclassifications under IFRS 5	-8	-0	0	-8
Transfers	142	175	-305	11
As of 30/9/2016	9,248	4,818	177	14,243
Depreciation/amortisation/impairment losses				
As of 1/10/2013	3,763	3,240	6	7,009
Currency translation	-45	-41	0	-87
Additions, scheduled	327	275	0	601
Additions, non-scheduled	54	12	2	68
Disposals	-143	-198	-1	-342
Reclassifications under IFRS 5	-46	-64	0	-110
Reversals of impairment losses	-10	0	0	-10
Transfers	-57	13	0	-44
As of 30/9 / 1/10/2014	3,843	3,235	6	7,084
Currency translation	-92	-75	-2	-169
Additions, scheduled	299	276	0	576
Additions, non-scheduled	39	6	5	50
Disposals	-122	-217	-0	-340
Reclassifications under IFRS 5	86	-36	0	49
Reversals of impairment losses	-12	-2	0	-14
Transfers	-47	-15	1	-62
As of 30/9 / 1/10/2015	3,993	3,172	9	7,174
Currency translation	-18	-3	0	-21
Additions, scheduled	302	276	7	585
Additions, non-scheduled	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 30/9/2016	4,124	3,122	17	7,264
Carrying amount at 1/10/2013	**6,047**	**1,626**	**182**	**7,855**
Carrying amount at 30/9/2014	**5,435**	**1,592**	**222**	**7,250**
Carrying amount at 30/9/2015	**5,036**	**1,613**	**184**	**6,833**
Carrying amount at 30/9/2016	**5,124**	**1,695**	**160**	**6,979**

[1] Including asset transfers from assets held for sale to property, plant and equipment.

The increase in property, plant and equipment in financial year 2015/16 essentially results from new additions in the Real segment. These include, in particular, changes in land and buildings (€102 million) as well as in other business and office equipment (€8 million). An opposite effect on the carrying amount of property, plant and equipment was produced by disposals totalling €-52 million.

The decline in property, plant and equipment in financial years 2014/15 and 2013/14 essentially results from negative currency effects in the amount of €408 million in financial year 2014/15 and €249 million in financial year 2013/14, which primarily relate to Russia and Ukraine. In addition, there were reclassifications of assets from "assets held for sale" in the amount of €123 million (2014/15) and €172 million (2013/14), among others from the reclassification of real estate (2014/15: €62 million; 2013/14: €22 million) as well as the wholesale business of METRO Cash & Carry Greece (2014/15: €57 million) and the wholesale business of METRO Cash & Carry Vietnam (2013/14: €113 million). Disposals also contributed to the decline in property, plant and equipment (2014/15: €57 million; 2013/14: €138 million). These primarily concern real estate, including from the sale of individual office properties at METRO GROUP headquarters in Düsseldorf during financial year 2013/14 (€67 million).

Restrictions on titles in the form of liens and encumbrances for property, plant and equipment amount to €30 million (30/9/2015: €89 million; 30/9/2014: €113 million; 1/10/2013: €205 million).

Purchasing obligations in relation to property, plant and equipment total €124 million (30/9/2015: €137 million; 30/9/2014: €80 million; 1/10/2013: €73 million).

Leases

Assets available to MWFS GROUP under the terms of finance leases were valued at €886 million (30/9/2015: €820 million; 30/9/2014: €764 million; 1/10/2013: €880 million) and in investment properties in the amount of €30 million (30/9/2015: €33 million; 30/9/2014: €53 million; 1/10/2013: €60 million); these essentially concern leased buildings.

The following notes apply to all leases of MWFS GROUP.

Finance leases generally have terms of 15 to 25 years with options at expiration to extend at least once for five years. Depending on the market and date of contract conclusion, the interest rates on which these contracts are based vary between 1.68 and 7.00 per cent (2014/15: between 2.09 and 5.22 per cent; 2013/14: between 4.40 and 6.70 per cent; 1/10/2013: between 4.60 and 7.50 per cent).

In addition to finance leases, MWFS GROUP 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
Finance leases 1/10/2013			
Future lease payments due (nominal)	214	661	1,257
Discount	-15	-154	-664
Present value	199	507	593
Operating leases 1/10/2013			
Future lease payments due (nominal)	646	2,162	2,913

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/9/2014			
Future lease payments due (nominal)	179	602	1,061
Discount	-14	-132	-539
Present value	164	471	522
Operating leases 30/9/2014			
Future lease payments due (nominal)	627	2,094	2,819

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/9/2015			
Future lease payments due (nominal)	177	620	1,062
Discount	-20	-141	-504
Present value	157	479	559
Operating leases 30/9/2015			
Future lease payments due (nominal)	638	2,113	2,579

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/9/2016			
Future lease payments due (nominal)	171	649	1,060
Discount	-13	-135	-498
Present value	158	514	562
Operating leases 30/9/2016			
Future lease payments due (nominal)	617	2,026	2,474

Future payments due on finance leases contain payments amounting to €19 million (30/9/2015: €24 million; 30/9/2014: €24 million; 1/10/2013: €24 million).

The nominal value of future lease payments due to MWFS GROUP coming from the subleasing of assets held under finance leases amounts to €262 million (30/9/2015: €264 million; 30/9/2014: €257 million; 1/10/2013: €287 million).

The nominal value of future lease payments due to MWFS GROUP coming from the subleasing of assets held under operating leases amounts to €539 million (30/9/2015: €517 million; 30/9/2014: €503 million; 1/10/2013: €522 million).

Combined profit or loss for the period includes payments made under leasing agreements amounting to €688 million (2014/15: €714 million; 2013/14: €732 million). In addition, this item includes income from tenancy agreements totalling €271 million (2014/15: €307 million; 2013/14: €319 million).

Contingent lease payments from finance leases recognised as expenses in combined profit or loss for the period amount to €4 million (2014/15: €7 million; 2013/14: €9 million). Contingent lease payments from operating leases recognised as expenses during the period amount to €15 million (2014/15: €13 million; 2013/14: €11 million).

Lease payments due in subsequent periods from entities outside the combination group for the rental of properties that are legally owned by MWFS GROUP (MWFS GROUP as lessor) are shown below:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 1/10/2013			
Future lease payments due (nominal)	1	3	7
Discount	0	-1	-4
Present value	1	2	2
Operating leases 1/10/2013			
Future lease payments due (nominal)	61	166	154

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2014			
Future lease payments due (nominal)	67	185	160

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2015			
Future lease payments due (nominal)	57	162	122

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2016			
Future lease payments due (nominal)	49	123	122

21. Investment properties

Investment properties are recognised at amortised cost. As of 30 September 2016, investment properties totalling €163 million (30/9/2015: €218 million; 30/9/2014: €249 million; 1/10/2013: €183 million) were recognised. The development of these properties is shown in the following table.

€ million	Investment properties
Acquisition or production costs	
As of 1/10/2013	450
Currency translation	0
Additions to combination group	0
Additions[1]	2
Disposals	-10
Reclassifications under IFRS 5	-0
Transfers	125
As of 30/9 / 1/10/2014	567
Currency translation	-0
Additions to combination group	0
Additions[1]	24
Disposals	-6
Reclassifications under IFRS 5	-59
Transfers	82
As of 30/9 / 1/10/2015	608
Currency translation	1
Additions to combination group	0
Additions[1]	1
Disposals	-92
Reclassifications under IFRS 5	-27
Transfers	-3
As of 30/9/2016	488
Depreciation/amortisation/impairment losses	
As of 1/10/2013	267
Currency translation	0
Additions, scheduled	11
Additions, non-scheduled	6
Disposals	-7
Reclassifications under IFRS 5	-0
Reversals of impairment losses	0
Transfers	41
As of 30/9 / 1/10/2014	318
Currency translation	-0
Additions, scheduled	17
Additions, non-scheduled	26
Disposals	-5
Reclassifications under IFRS 5	-18
Reversals of impairment losses	0
Transfers	52
As of 30/9 / 1/10/2015	390
Currency translation	0
Additions, scheduled	15
Additions, non-scheduled	1
Disposals	-53
Reclassifications under IFRS 5	-17
Reversals of impairment losses	-10
Transfers	-2
As of 30/9/2016	324
Carrying amount at 1/10/2013	**183**
Carrying amount at 30/9/2014	**249**
Carrying amount at 30/9/2015	**218**
Carrying amount at 30/9/2016	**163**

[1] Including asset transfers from assets held for sale to investment properties

In financial year 2015/16, the carrying amounts of investment properties decreased by €55 million. This was mainly due to the disposal of stores in Turkey and to the reclassification from "investment properties" to "assets held for sale".

The decline of €31 million in financial year 2014/15 primarily resulted from the transfer of real estate from "investment properties" to "assets held for sale". In addition, an investing activity that was below depreciation/amortisation/impairment losses contributed to the change in financial year 2014/15. Offsetting effects essentially resulted from the reclassification of a Russian real estate property from "assets held for sale" to "investment properties".

As of 30 September 2016, the fair values of "investment properties" totalled €287 million (30/9/2015: €379 million; 30/9/2014: €374 million; 1/10/2013: €300 million). These fair values 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 comparative value procedure and the discounted cash flow method (level 3 of the three-level valuation hierarchy of IFRS 13 (Fair Value Measurement)). This measurement is based on a detailed planning period of ten years. Aside from headline 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 both the respective country and location risk as well as the property-specific real estate risk. In addition, project developments are being considered in the context of determining the best possible utilisation.

Rental income from these properties amounts to €37 million, with finance leases accounting for €11 million of this total (2014/15: €49 million, thereof €12 million from finance leases; 2013/14: €48 million, thereof €13 million from finance leases). The related expenses amount to €21 million, with finance leases accounting for €9 million (2014/15: €27 million, thereof €10 million from finance leases; 2013/14: €28 million, thereof €10 million from finance leases). Expenses of €0 million (2014/15: €1 million; 2013/14: €1 million) resulted from properties without rental income and did not relate to finance leases.

Limitations to the disposal of assets in the form of liens and encumbrances amounted to €5 million (30/9/2015: €19 million; 30/9/2014: €19 million; 1/10/2013: €25 million). In all three reporting periods, no contractual commitments were made for the acquisition of investment properties.

22. Financial investments and investments accounted for using the equity method

€ million	Loans	Investments	Securities	Total
Acquisition or production costs				
As of 1/10/2013	140	265	2	406
Currency translation	1	15	0	17
Additions to combination group	0	0	0	0
Additions	4	2	0	6
Disposals	-24	-269	0	-292
Transfers	-24	0	0	-24
As of 30/9 / 1/10/2014	98	14	2	113
Currency translation	0	0	0	0
Additions to combination group	0	0	0	0
Additions	3	5	0	9
Disposals	-63	-0	0	-63
Transfers	-5	-10	0	-15
As of 30/9 / 1/10/2015	33	9	2	44
Currency translation	0	0	0	0
Additions to combination group	0	0	0	0
Additions	14	16	0	30
Disposals	-3	0	0	-3
Transfers	-0	0	24	24
As of 30/9/2016	45	25	26	96
Depreciation/amortisation/impairment losses				
As of 1/10/2013	22	1	0	23
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, non-scheduled	0	0	0	0
Disposals	-13	0	0	-13
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/9 / 1/10/2014	9	1	0	10
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, non-scheduled	0	0	0	0
Disposals	-9	0	0	-9
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/9 / 1/10/2015	0	1	0	1
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, non-scheduled	3	3	0	6
Disposals	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/9/2016	4	4	0	7
Carrying amount at 1/10/2013	**118**	**264**	**2**	**384**
Carrying amount at 30/9/2014	**88**	**13**	**2**	**103**
Carrying amount at 30/9/2015	**33**	**8**	**2**	**43**
Carrying amount at 30/9/2016	**41**	**22**	**26**	**89**

In financial year 2013/14, €246 million of the disposals of investments amounting to €269 million concerned the sale of a 9 per cent stake in Booker Group PLC. These shares had been obtained as consideration in the context of the agreement regarding the sale of MAKRO Cash & Carry’s wholesale business in the United Kingdom in financial year 2012.

€ million	Investments accounted for using the equity method
Acquisition or production costs	
As of 1/10/2013	132
Currency translation	0
Additions to combination group	0
Additions	3
Disposals	-39
Reclassifications under IFRS 5	0
Transfers	0
As of 30/9 / 1/10/2014	95
Currency translation	0
Additions to combination group	0
Additions	86
Disposals	0
Reclassifications under IFRS 5	0
Transfers	10
As of 30/9 / 1/10/2015	192
Currency translation	0
Additions to combination group	0
Additions	8
Disposals	-15
Reclassifications under IFRS 5	0
Transfers	0
As of 30/9/2016	185
Depreciation/amortisation/impairment losses	
As of 1/10/2013	0
Currency translation	0
Additions, scheduled	0
Additions, non-scheduled	0
Disposals	0
Reclassifications under IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9 / 1/10/2014	0
Currency translation	0
Additions, scheduled	0
Additions, non-scheduled	8
Disposals	0
Reclassifications under IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9 / 1/10/2015	7
Currency translation	0
Additions, scheduled	0
Additions, non-scheduled	0
Disposals	0
Reclassifications under IFRS 5	0
Reversals of impairment losses	-5
Transfers	0
As of 30/9/2016	2
Carrying amount at 1/10/2013	**132**
Carrying amount at 30/9/2014	**95**
Carrying amount at 30/9/2015	**184**
Carrying amount at 30/9/2016	**183**

In financial year 2015/16, an investment recognised at equity in a German real estate company was sold as well as foreign real estate companies holding stakes in METRO Cash & Carry stores. In financial year 2014/15, 60 per cent of the shares in ten companies of the Mayfair group were sold in the context of a joint venture. The remaining 40 per cent are shown as an addition to investments accounted for using the equity method in the amount of €83 million.

The companies are included in the combined financial statements of MWFS GROUP with their last available financial statements.

Details on major investments accounted for using the equity method are listed in the following table. With the exception of METRO Habib Pakistan (closing date 30 June), the closing date for all other companies listed here is 31 December. The companies are included in the combined financial statements with their last available financial statements.

	METRO Habib Pakistan				**OPCI FWP**				**OPCI FWS**			
€ million	**1/10/2013**	**2013/14**	**2014/15**	**2015/16**	**1/10/2013**	**2013/14**	**2014/15**	**2015/16**	**1/10/2013**	**2013/14**	**2014/15**	**2015/16**
Size of investment (in %)	40	40	40	40	30.73	4.99	4.99	4.99	25	25	25	25
Market capitalisation	–	–	–	–	–	–	–	–	–	–	–	–
Carrying amount	45	45	47	47	47	8	9	9	38	39	39	41
Notes to the combined income statement												
Sales	10	10	12	12	23	23	23	24	22	22	22	23
Earnings after taxes from continuing operations	6	4	6	6	14	11	16	14	13	11	15	15
Earnings after taxes from discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0
Combined other comprehensive income	0	0	0	0	0	0	0	0	0	0	0	0
Combined total comprehensive income	6	4	6	6	14	11	16	14	13	11	15	15
Dividend payments to MWFS GROUP	1	1	1	0	3	3	0	0	0	3	4	0
Notes to the combined balance sheet												
Non-current assets	**53**	**58**	**61**	**61**	**255**	**261**	**261**	**271**	**241**	**251**	**251**	**261**
Current assets	5	9	14	15	1	4	2	1	4	5	6	4
Non-current liabilities	2	2	3	3	102	108	102	100	98	105	101	100
Current liabilities	1	1	1	1	0	0	1	0	0	0	1	0

€ million	Mayfair group[1]				Others				Total			
	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16	1/10/2013	2013/14	2014/15	2015/16
Size of investment (in %)	–	–	40	40	–	–	–	–	–	–	–	–
Market capitalisation	–	–	–	–	–	–	–	–	–	–	–	–
Carrying amount	–	–	83	80	2	3	6	6	132	95	184	183
Notes to the combined income statement												
Sales	–	–	0	16	0	3	21	29	45	58	78	104
Earnings after taxes from continuing operations	–	–	12	9	0	2	0	5	27	28	49	49
Earnings after taxes from discontinued operations	–	–	0	0	0	0	0	0	0	0	0	0
Combined other comprehensive income	–	–	0	0	0	0	0	0	0	0	0	0
Combined total comprehensive income	–	–	12	9	0	2	0	5	27	28	49	49
Dividend payments to MWFS GROUP	–	–	0	0	0	0	1	0	3	7	6	0
Notes to the combined balance sheet												
Non-current assets	–	–	189	201	0	0	155	84	496	570	917	878
Current assets	–	–	4	5	0	4	34	17	5	22	60	42
Non-current liabilities	–	–	0	0	0	0	162	84	200	215	368	287
Current liabilities	–	–	0	5	0	1	21	14	0	2	24	20

[1] The Mayfair group comprises ten real estate companies.

The share of the company OPCI French Wholesale Properties – FWP (OPCI FWP) was reduced by 25.74 per cent to 4.99 per cent in financial year 2013/14. The representation of METRO Cash & Carry on the supervisory board of OPCI FWP ensures that significant influence will be maintained and that the holding will be accounted for using the equity method in financial years 2015/16, 2014/15 and 2013/14.

The investments of MWFS GROUP that are not recognised at equity primarily relate to leasing companies with a focus on the acquisition as well as the leasing and administration of assets.

23. Other financial and non-financial assets

	1/10/2013			30/9/2014			30/9/2015			30/9/2016		
		Remaining term			Remaining term			Remaining term			Remaining term	
€ million	**Total**	**up to 1 year**	**over 1 year**	**Total**	**up to 1 year**	**over 1 year**	**Total**	**up to 1 year**	**over 1 year**	**Total**	**up to 1 year**	**over 1 year**
Receivables due from suppliers	565	565	0	592	592	0	577	577	0	562	562	0
Miscellaneous financial assets	901	852	49	899	856	43	1,179	1,137	43	392	344	48
Other financial assets	**1,466**	**1,417**	**49**	**1,491**	**1,448**	**43**	**1,757**	**1,714**	**43**	**954**	**905**	**49**
Other entitlements to tax refunds	263	263	0	362	362	0	276	276	0	281	281	0
Prepaid expenses and deferred charges	329	73	256	293	85	209	273	72	201	256	71	186
Miscellaneous non-financial assets	53	47	6	51	46	5	57	53	4	28	24	4
Other non-financial assets	**645**	**383**	**262**	**707**	**493**	**214**	**606**	**401**	**205**	**565**	**375**	**190**
Other financial and non-financial assets	**2,111**	**1,799**	**311**	**2,198**	**1,941**	**257**	**2,363**	**2,115**	**248**	**1,519**	**1,280**	**239**

Receivables due from suppliers comprise both invoiced compensation and deferred income for subsequent supplier compensation (for example, bonuses, advertising subsidies) and creditors with debit balances.

Miscellaneous non-financial assets primarily include receivables from other financial transactions in the amount of €102 million (30/9/2015: €850 million; 30/9/2014: €550 million; 1/10/2013: €504 million), receivables from credit card transactions in the amount of €75 million (30/9/2015: €72 million; 30/9/2014: €78 million; 1/10/2013: €85 million), receivables and other non-financial assets in the real estate area amounting to €20 million (30/9/2015: €45 million; 30/9/2014: €50 million; 1/10/2013: €66 million) and receivables from damages in the amount of €4 million (30/9/2015: €26 million; 30/9/2014: €2 million; 1/10/2013: €3 million).

Other tax receivables include entitlements to sales tax refunds totalling €136 million (30/9/2015: €124 million; 30/9/2014: €221 million; 1/10/2013: €102 million), not yet clearable input tax in the amount of €133 million (30/9/2015: €140 million; 30/9/2014: €131 million; 1/10/2013: €148 million) and other entitlements to tax refunds totalling €11 million (30/9/2015: €12 million; 30/9/2014: €11 million; 1/10/2013: €13 million).

Prepaid expenses and deferred charges include deferred rental, leasing and interest prepayments as well as miscellaneous deferments.

Miscellaneous non-financial assets particularly include interest receivables related to tax receivables and prepayments made on inventories as well as receivables from the real estate area.

24. Deferred tax assets/deferred tax liabilities

Deferred tax assets on tax loss carry-forwards and temporary differences amount to €1,129 million before netting (30/9/2015: €1,185 million; 30/9/2014: €1,193 million; 1/10/2013: €1,246 million) and decreased by €56 million compared with 30 September 2015. The carrying amounts of deferred tax liabilities increased by €36 million to €709 million compared with the previous year (30/9/2015: €673 million; 30/9/2014: €709 million; 1/10/2013: €680 million). In this context, please also see our explanations on the particularities of determining deferred taxes in combined financial statements in the chapter accounting principles and methods used in the combined financial statements.

Deferred taxes recognised concern the following balance sheet items:

€ million	1/10/2013		30/9/2014		30/9/2015		30/9/2016	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Goodwill	183	91	156	84	114	75	85	86
Other intangible assets	95	48	85	53	71	72	63	79
Property, plant and equipment and investment properties	131	399	131	419	121	394	117	424
Financial investments and investments accounted for using the equity method	5	2	5	2	4	2	4	12
Inventories	47	3	45	7	37	6	39	6
Other financial and non-financial assets	112	28	92	51	51	41	43	33
Assets held for sale	0	0	0	0	0	2	0	0
Provisions for post-employment benefits plans and similar obligations	96	54	115	52	115	44	137	41
Other provisions	68	5	71	2	83	1	70	2
Borrowings	361	5	336	6	347	1	364	2
Other financial and non-financial liabilities	73	45	96	33	102	30	93	22
Liabilities related to assets held for sale	0	0	0	0	0	0	0	0
Outside basis differences	0	0	0	0	0	4	0	0
Write-downs of temporary differences	-23	0	-79	0	-63	0	-32	0
Loss carry-forwards	98	0	140	0	202	0	146	0
Total	1,246	680	1,193	709	1,185	673	1,129	709
Offset	-634	-634	-656	-656	-602	-602	-620	-620
Carrying amount of deferred taxes	**612**	**47**	**537**	**53**	**583**	**72**	**509**	**89**

In accordance with IAS 12 (Income Taxes), deferred tax liabilities relating to differences between the carrying amount of a subsidiary's pro rata assets and liabilities in the balance sheet and the carrying amounts of the investments for this subsidiary in the parent company's tax statement must be capitalised (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. 5 per cent of dividends paid by subsidiaries would be subject to tax. In addition, foreign dividends may trigger a withholding tax. As of 30 September 2016, no deferred tax liabilities from outside basis differences were recognised for planned dividend payments (30/9/2015: €4 million; 30/9/2014: €0 million; 1/10/2013: €0 million). As of 1 October 2013 and in financial years 2013/14, 2014/15 and 2015/16, there were no circumstances leading to a corresponding deferral. Due to the hierarchical structure of MWFS GROUP, the determination of the taxable temporary differences would require undue efforts.

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	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Corporate tax losses	576	761	1,047	1,240
Trade tax losses	0	0	0	0
Interest carried forward	18	18	15	29
Temporary differences	122	92	99	90

The losses exclusively relate to international operations. They can partially be carried forward without limitation and/or are subject to the country's local expiration terms with respect to the year in which the respective losses were incurred.

Tax effects on components of combined other comprehensive income

	2013/14			2014/15			2015/16		
€ million	**Before taxes**	**Taxes**	**After taxes**	**Before taxes**	**Taxes**	**After taxes**	**Before taxes**	**Taxes**	**After taxes**
Currency translation differences from translating the financial statements of foreign operations	-8	-7	-15	-173	-4	-177	45	0	45
thereof currency translation differences of net investments in foreign operations	(-75)	(-7)	(-82)	(-58)	(-4)	(-62)	(-9)	(0)	(-9)
Effective portion of gains/losses from cash flow hedges	24	-3	21	-12	2	-10	0	0	0
Gains/losses on remeasuring financial instruments in the category "available for sale"	-70	0	-70	0	0	0	0	0	0
Deferred taxes from the revaluation of defined benefit pension plans	-174	15	-159	37	-14	23	-95	27	-68
Other changes	0	0	0	0	0	0	0	0	0
Remaining income tax on combined other comprehensive income	-8	-2	-10	-1	2	1	0	4	4
	-236	**3**	**-233**	**-149**	**-14**	**-163**	**-50**	**31**	**-19**

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	**1/10/2013**	**30/9/2014**	**30/9/2015**	**30/9/2016**
Food merchandise	1,928	2,007	1,922	1,973
Non-food merchandise	1,265	1,216	1,194	1,090
	3,193	**3,224**	**3,117**	**3,063**

The category "food merchandise" also includes beverages and drugstore items that round out the assortment in the respective stores.

Inventories can be broken down by segments as follows:

€ million	**1/10/2013**	**30/9/2014**	**30/9/2015**	**30/9/2016**
METRO Cash & Carry (in the future: METRO Wholesale)	2,254	2,319	2,309	2,262
Real	622	578	807	789
Others	317	327	1	12
	3,193	**3,224**	**3,117**	**3,063**

Compared with 30 September 2015, inventories decreased by €54 million (2014/15: decrease of €107 million; 2013/14: increase of €31 million). In financial year 2015/16, the "Cash Value Creation" project in the METRO Cash & Carry segment in Germany resulted in €69 million lower inventories while assortment improvements in the Netherlands reduced inventories by €13 million and €11 million, respectively. In addition, inventories in the Real segment declined by €18 million, due mostly to store closures and major sales campaigns.

An opposite effect was produced by higher demand and several new openings in Russia, at €23 million, and the inclusion of the Rungis express group, at €5 million, which resulted in higher inventories in the METRO Cash & Carry segment.

Positive currency effects from the Russian rouble (€15 million) and the Kazakhstani tenge (€9 million) mitigated the negative development of the Chinese renminbi (€-9 million) and the Ukrainian hryvnia (€-5 million).

In financial year 2014/15, negative currency effects caused a decline in inventories of €129 million, while the acquisition of the Classic Fine Foods group resulted in an increase in inventories of €24 million.

The increase in inventories in the Real segment as of 30 September 2015 was due to the acquisition of ownership of inventories stored at METRO LOGISTICS Germany GmbH. As a result, inventories in the Others segment declined.

The increase in inventories in financial year 2013/14 is attributable to various new store openings as well as higher product purchasing. The opposite effect was produced by the reclassification of inventories of METRO Cash & Carry Vietnam to assets held for sale at €32 million and the disposal of Real's Turkish business in the amount of €21 million as well as negative currency effects at €52 million.

Inventories include impairments of €105 million (30/9/2015: €104 million; 30/9/2014: €117 million; 1/10/2013: €153 million).

26. Trade receivables

Trade receivables amount to €493 million (30/9/2015: €434 million; 30/9/2014: €402 million; 1/10/2013: €380 million) and concern receivables with a remaining term of less than one year.

At €12 million, the increase in trade receivables during financial year 2015/16 results from the expansion and strong autumn business in China, among others. In addition, the first-time inclusion of the operations of MIDBAN ESOLUTIONS S.L. in Spain (€10 million), the acquisition of the Rungis express group (€10 million) and the introduction of online debit payments in Germany (€10 million) caused trade receivables to increase.

In financial year 2014/15, the increase in receivables was partly due to the acquisition of the Classic Fine Foods group as well as higher commission receivables.

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 1/10/2013	171	(53)	(118)
Currency translation	-2	(0)	(-2)
Additions	46	(1)	(45)
Reversal	-24	(-0)	(-24)
Utilisation	-44	(-13)	(-31)
Transfers	-31	(-30)	(-1)
As of 30/9 / 1/10/2014	115	(11)	(104)
Currency translation	-3	(0)	(-3)
Additions	46	(0)	(45)
Reversal	-31	(0)	(-31)
Utilisation	-28	(-9)	(-19)
Transfers	2	(0)	(2)
As of 30/9 / 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 30/9/2016	**109**	**(4)**	**(105)**

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 impairments amount to €26 million (2014/15: €14 million; 2013/14: €20 million). This also includes earnings from the receipt of cash from receivables of €1 million (2014/15: €1 million; 2013/14: €1 million).

As in the previous years, no earnings effects existed in the category "held to maturity", nor from receivables from finance leases (amount according to IAS 17).

In principle, impairments of capitalised financial instruments are made using an impairment account. They reduce the carrying amount of financial assets.

28. Maturities and impairments of capitalised financial instruments

Capitalised financial instruments had the following maturities and impairments as of the closing date:

€ million	Total carrying amount 1/10/2013	thereof not past due, not impaired	thereof past due, not impaired				
			Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 270 days	Due for 271 to 360 days	Due for more than 360 days
Assets							
in the category "loans and receivables"	1,915	1,672	84	3	1	0	1
thereof "loans and advance credit granted"	(609)	(609)	(0)	(0)	(0)	(0)	(0)
thereof "other current receivables"	(1,306)	(1,064)	(84)	(3)	(1)	(0)	(1)
in the category "held to maturity"	0	0	0	0	0	0	0
in the category "held for trading"	18	0	0	0	0	0	0
in the category "available for sale"	266	1	0	0	0	0	0
	2,198	**1,674**	**84**	**3**	**1**	**0**	**1**

€ million	Total carrying amount 30/9/2014	thereof not past due, not impaired	thereof past due, not impaired				
			Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 270 days	Due for 271 to 360 days	Due for more than 360 days
Assets							
in the category "loans and receivables"	1,925	1,671	78	6	3	0	1
thereof "loans and advance credit granted"	(608)	(608)	(0)	(0)	(0)	(0)	(0)
thereof "other current receivables"	(1,316)	(1,062)	(78)	(6)	(3)	(0)	(1)
in the category "held to maturity"	0	0	0	0	0	0	0
in the category "held for trading"	26	0	0	0	0	0	0
in the category "available for sale"	15	1	0	0	0	0	0
	1,966	**1,672**	**78**	**6**	**3**	**0**	**1**

€ million	Total carrying amount 30/9/2015	thereof not past due, not impaired	thereof past due, not impaired				
			Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 270 days	Due for 271 to 360 days	Due for more than 360 days
Assets							
in the category "loans and receivables"	1,728	1,443	59	5	3	0	1
thereof "loans and advance credit granted"	(411)	(411)	(0)	(0)	(0)	(0)	(0)
thereof "other current receivables"	(1,317)	(1,032)	(59)	(5)	(3)	(0)	(1)
in the category "held to maturity"	0	0	0	0	0	0	0
in the category "held for trading"	32	0	0	0	0	0	0
in the category "available for sale"	425	1	0	0	0	0	0
	2,184	**1,444**	**59**	**5**	**3**	**0**	**1**

€ million	Total carrying amount 30/9/2016	thereof not past due, not impaired	thereof past due, not impaired				
			Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 270 days	Due for 271 to 360 days	Due for more than 360 days
Assets							
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
	1,503	**1,146**	**60**	**6**	**1**	**0**	**1**

Loans and receivables due within the last 90 days largely result from standard business payment transactions with immediate or short-term payment targets. For unimpaired loans and receivables more than 90 days past due, 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 impaired, there is no indication based on the debtor's creditworthiness that would require an impairment.

29. Cash and cash equivalents

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Cheques and cash on hand	54	56	60	70
Bank deposits and other financial assets with short-term liquidity	1,453	1,456	3,376	1,529
	1,506	**1,512**	**3,436**	**1,599**

The steep decline in cash and cash equivalents in financial year 2015/16 compared with the previous year is essentially due to the consideration received from the sale of the GALERIA Kaufhof group in financial year 2014/15. In financial year 2015/16, this amount was partially used to reduce borrowings.

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

In the financial years ended 30 September 2016, 30 September 2015, 30 September 2014 and 1 October 2013, assets held for sale and liabilities related to assets held for sale were comprised as follows:

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Assets held for sale				
METRO Cash & Carry Vietnam	0	221	233	0
Real Eastern Europe	175	0	0	0
Wholesale activities in Greece	0	0	0	0
Real estate	116	239	17	0
Miscellaneous	0	7	0	0
	292	**467**	**250**	**0**
Liabilities				
METRO Cash & Carry Vietnam	0	192	194	0
Real Eastern Europe	264	0	0	0
Wholesale activities in Greece	0	0	0	0
Miscellaneous	0	13	0	0
	264	**205**	**194**	**0**

As of 30 September 2016, this item includes no “assets held for sale” or “liabilities related to assets held for sale” as all sales transactions had been completed and no new sales were considered highly probable in the meaning of IFRS 5.

The key transactions of the previous years are described in the following.

Sale of the wholesale business in Vietnam

In financial year 2013/14, the Management Board of METRO AG decided to dispose of METRO Cash & Carry’s wholesale business in Vietnam and, to this effect, signed an agreement with the Thai retail group Berli Jucker Public Company Limited (BJC). After the general meeting of BJC had rejected the transaction, BJC’s majority shareholder TCC Holding Co., Ltd. (TCC) replaced BJC as party to the transaction at unchanged economic conditions, according to agreements from 18 February 2015 and 22 July 2015.

In the process of preparing the combined financial statements, all assets and liabilities affected by the transaction were already treated as a disposal group pursuant to IFRS 5 in financial year 2013/14. Following consolidation of all assets and liabilities within the combination group, they were therefore shown under assets held for sale or liabilities related to assets held for sale in the combined balance sheet as of 30 September 2015 and 30 September 2014. The assets held for sale of €221 million shown in this context in the combined financial statements as of 30 September 2014 increased to €233 million in financial year 2014/15 as operations were continued.

In December 2015, the Vietnamese wholesale business including the associated real estate portfolio was deconsolidated after all the required approvals from local authorities had been obtained. Until these conditions were met, the Vietnamese wholesale business remained part of MWFS GROUP and continued to contribute to the result of the combination group.

Correspondingly, liabilities related to assets held for sale increased from €192 million to €194 million in financial year 2014/15. Following the completion of these transactions, no liabilities related to assets held for sale were recognised as of 30 September 2016. As of the closing dates, the breakdown of these assets and liabilities is as follows:

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Assets				
Property, plant and equipment	–	113	125	0
Other financial and non-financial assets (non-current)	–	48	52	0
Inventories	–	32	34	0
Trade receivables	–	3	3	0
Other financial and non-financial assets (current)	–	22	17	0
Cash and cash equivalents	–	3	2	0
		221	**233**	**0**
Liabilities				
Provisions for post-employment benefits plans and similar obligations	–	1	1	0
Borrowings (non-current)	–	97	58	0
Trade liabilities	–	45	41	0
Provisions (current)	–	6	6	0
Borrowings (current)	–	36	82	0
Other financial and non-financial liabilities (current)	–	7	6	0
		192	**194**	**0**

In financial year 2015/16, the EBIT contribution resulting from the deconsolidation amounts to €446 million. Additional expenses of €29 million were recognised in the net financial result, with the currency translation differences from the translation of the Vietnamese financial statement data that were recognised in equity outside of profit or loss until divestment accounting for €27 million of this total. In addition, income tax expenses totalling €79 million were recorded. The EBIT contribution is allocated fully to the METRO Cash & Carry segment.

In financial year 2014/15, the currency translation differences from the translation of the Vietnamese financial statement data that were recognised in equity (net assets) outside of profit or loss until divestment amounted to €-6 million.

Divestment of Real's Eastern European business

By contractual agreement dated 30 November 2012, METRO GROUP and the French retailing company Groupe Auchan agreed on the sale of Real's business in Poland, Russia, Romania and Ukraine to Groupe Auchan. The agreement relating to Real in Russia, Romania and Ukraine was implemented during the short financial year 2013. As the last of the remaining conditions precedent were met in January 2014, the Polish Real business was deconsolidated in the second quarter of 2013/14.

Continued operating activities have led to an increase in the "assets held for sale" of the Real business in Poland from €175 million to €247 million since the beginning of financial year 2013/14. Correspondingly, "liabilities related to assets held for sale" have increased from €264 million to €320 million. The assets and liabilities disposed of as a result of the deconsolidations can be broken down as follows:

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Assets				
Property, plant and equipment	15	–	–	–
Inventories	114	–	–	–
Trade receivables	3	–	–	–
Other financial and non-financial assets (current)	36	–	–	–
Cash and cash equivalents	7	–	–	–
	175			
Liabilities				
Borrowings (non-current)	69	–	–	–
Other financial and non-financial liabilities (non-current)	19	–	–	–
Trade liabilities	130	–	–	–
Provisions (current)	15	–	–	–
Borrowings (current)	6	–	–	–
Other financial and non-financial liabilities (current)	25	–	–	–
	264			

In financial year 2013/14, the EBIT contribution from the divestment of Real's business in Eastern Europe amounted to €37 million and was fully recognised in the Real segment. The currency translation differences recognised outside of profit or loss in equity (net assets) until the date of deconsolidation resulted in expenses of €28 million that impacted the other financial result on the occasion of their reversal through profit or loss.

Following the complete reclassification of a Russian store with a value of €10 million to the METRO Cash & Carry segment in financial year 2013/14, the remaining assets were sold at their carrying amounts of €2 million after consideration of currency effects of €-1 million in financial year 2014/15. "Liabilities related to assets held for sale" did not exist for these remaining assets.

Disposal of Real's Turkish business

In light of the renewed focus on Real's business in Germany, Real's business in Turkey was sold following the successful sale of Real's business in Eastern Europe. The agreement to this effect with the buyer, Mr Hacı Duran Beğendik, was signed on 27 June 2014. After the final conditions for execution had been met in July 2014, the Turkish Real business was deconsolidated in the annual financial statements as of 30 September 2014. In light of this, assets of €73 million were recognised as "assets held for sale" and €80 million as "liabilities related to assets held for sale" as of 30 June 2014. Disposals from these items took place during the deconsolidation on 30 September 2014. Before the reclassification to "assets held for sale" and "liabilities related to assets held for sale", a write-down of the assets to fair value less costs to sell was performed. This resulted in expenses affecting EBIT of €14 million that fully impacted the segment earnings of the Real sales line.

The reversal of currency translation differences recognised directly in equity until the date of deconsolidation results in an expense of €109 million, which is shown in other net financial result.

Sale of cash-and-carry activities in Greece

On 21 November 2014, METRO GROUP concluded an agreement regarding the sale of 100 per cent of the shares in MAKRO Cash & Carry Wholesale S.A., Greece, consisting of nine cash-and-carry stores and the associated real estate portfolio, to INO S.A., a 70 per cent owned subsidiary of Greek retail group I. & S. Sklavenitis Trade S.A. (Sklavenitis). After the suspensive conditions had been fulfilled, the transaction was completed on 30 January 2015. As a result, the deconsolidation of MAKRO Cash & Carry Wholesale S.A. was implemented in the half-year financial statements as of 31 March 2015.

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Assets				
Goodwill	**–**	**–**	**–**	**–**
Property, plant and equipment	–	57	–	–
Inventories	–	30	–	–
Other financial and non-financial assets (current)	–	16	–	–
Cash and cash equivalents	–	18	–	–
		121		
Liabilities				
Provisions for post-employment benefits plans and obligations	–	2	–	–
Trade liabilities	–	74	–	–
Provisions (current)	–	2	–	–
Other financial and non-financial liabilities (current)	–	5	–	–
		83		

In financial year 2014/15, the sale of MAKRO Cash & Carry Wholesale S. A. resulted in an EBIT contribution of €33 million. In addition, the dissolution through profit or loss of currency translation differences that were recognised at equity outside of profit or loss until the date of deconsolidation resulted in expenses of €8 million in the other financial result.

Real estate

Real estate properties held for sale are measured at the lower of carrying amount and fair value less costs to sell. The value of real estate properties held for sale changed from €17 million to €0 million during financial year 2015/16. On the one hand, reclassifications from non-current assets added €14 million to this item. On the other, the sale of real estate assets in the amount of €30 million caused "assets held for sale" to decline. In addition, this item was reduced to €0 million by the reintegration of real estate assets into non-current assets in the amount of €1 million.

The value of real estate properties held for sale decreased from €239 million in financial year 2013/14 to €17 million as of the closing date 30 September 2015. The decline in financial year 2014/15 was primarily the result of the sale of centre locations in Germany and Turkey. In addition, this item was changed by the reintegration of real estate assets into non-current assets in the amount of €23 million, currency effects in the amount of €8 million and the reclassification of individual real estate properties from non-current assets to "assets held for sale" in the amount of €107 million.

By contractual agreement of 23 April 2014, MWFS GROUP purchased ten properties used by the Real sales line from the Delek Group, Netanya, Israel, with the aim of reselling these within a short period of time. The transaction was made through the direct purchase of shares in ten property companies as well as the purchase of loan receivables from the property companies. As a result of this transaction, the value of assets held for sale increased by €172 million to €239 million as of the closing date 30 September 2014. The transaction had no impact on earnings. For purposes of the combined cash flow statement, the transaction is shown as "other investments" under the cash flow from investing activities.

In addition, the value of individual properties available for sale declined over the course of financial year 2013/14 by €75 million as a result of the sale of real estate assets and by €3 million as a result of currency effects. The real estate sales essentially concerned disposals

of German centre locations. Plans to dispose of additional real estate assets over the course of one year added €36 million. In addition, increased renovation-related additional capitalisations of real estate assets already recognised under “assets held for sale” added €3 million to this balance sheet item.

31. Equity

As explained in the chapter *accounting principles and methods used in the combined financial statements*, MWFS GROUP did not qualify as a group in the meaning of IFRS 10 during the reporting period. The net assets of MWFS GROUP are the combined net assets of the companies included in the combination group as well as the net assets of operating activities, assets and liabilities as well as income and expenses of METRO AG, in particular, and, to a lesser extent, METRO Innovations Holding GmbH and METRO Group Clearing GmbH that will be assigned and transferred to Wholesale & Food Specialist AG in the context of the demerger.

As of the closing date of 30 September 2016, combined equity amounted to €2,924 million (30/9/2015: €2,651 million; 30/9/2014: €826 million; 1/10/2013: €989 million). The increase in combined equity (net assets) in financial years 2015/16 and 2014/15 is due to different events. Key contributions to the increase in combined equity came from transactions in the context of the sale of the GALERIA Kaufhof group to Hudson’s Bay Company (Canada) as of 30 September 2015. The GALERIA Kaufhof group is not part of the economic activities of MWFS GROUP and is therefore not included in the combination group.

As of 30 September 2015, the disposal of the GALERIA Kaufhof group essentially led to an increase in cash and cash equivalents at MWFS GROUP. In the combined financial statements, the cash inflow from the sale is shown as a contribution and reflected accordingly in combined net assets (equity). In financial year 2015/16, the cash inflow from the sale was partly used for the redemption of financial liabilities allocated to MWFS GROUP. Transactions in connection with the GALERIA Kaufhof group resulted in contributions of €199 million in financial year 2015/16, €1,985 million in financial year 2014/15 and €39 million in financial year 2013/14. Contributions in financial year 2015/16 essentially resulted from the sale of remaining minority stakes in various property companies of the GALERIA Kaufhof group as well as cash inflows from dividends of the GALERIA Kaufhof group for financial year 2014/15.

Dividends paid to METRO AG also had an effect on changes in combined equity, leading to withdrawals of €327 million in financial year 2015/16 (2014/15: €295 million; 2013/14: €0 million) as the dividend payout was made from cash flows allocated to MWFS GROUP.

In the demerger agreement between METRO AG and METRO Wholesale & Food Specialist AG, the parties agreed to provide initial cash resources to CE GROUP which CE GROUP will use, in particular, for the payment of a dividend of €327 million (proposed dividend of €1 per share) to METRO AG that is expected to be made in February 2017. To this end, a €108 million loan from METRO Kaufhaus und Fachmarkt Holding GmbH to METRO AG was drawn; in the demerger agreement, the corresponding amount of METRO AG’s cash resources is allocated to CE GROUP. In addition, CE GROUP receives an entitlement to a payment of €221 million from MWFS GROUP. In the combined financial statements of MWFS GROUP as of 30 September 2016, the corresponding cash reduction and the liability resulting from the payment obligation are shown as withdrawals. In addition, the assets and liabilities of METRO AG were adjusted to correspond to the values in the demerger agreement as of 30 September 2016 in those cases in which the stipulations of the demerger agreement led to an allocation of assets between MWFS GROUP and CE GROUP that slightly deviated from the allocation of assets and liabilities according to the allocation keys and assumptions. This resulted in minor corrections which are shown as contributions or withdrawals.

In addition, changes in equity are impacted by the transactions in connection with the demerger of METRO AG and the related split of assets and liabilities according to economic activities. In financial year 2015/16, contributions related to refunded withholding tax on dividends in the amount of €39 million (2014/15: €0 million; 2013/14: contribution of €113 million) and withdrawals for pension payments in the amount of €15 million in connection with the allocation of existing pension commitments (2014/15: €10 million; 2013/14: €10 million) were recognised. In financial year 2015/16, contributions and withdrawals related to METRO Unterstützungskasse e. V. resulted in a change in equity (contribution) of €177 million (2014/15:

withdrawal of €4 million; 2013/14: withdrawal of €13 million). In addition, in financial year 2015/16, transactions related to METRO Kaufhaus und Fachmarkt Holding GmbH resulted in a contribution of €65 million (2014/15: contribution of €101 million; 2013/14: withdrawal of €104 million). In financial year 2015/16, central administration expenses of METRO AG allocated to CE GROUP led to withdrawals of €15 million (2014/15: €20 million; 2013/14: €17 million) as these expenses were paid from the cash of MWFS GROUP.

No subscribed capital is shown in the combined financial statements of MWFS GROUP as the legal reorganisation of METRO GROUP was not completed at the time of the preparation of the combined financial statements (6 December 2016).

The item other components of equity includes changes in net assets from remeasuring the net obligation from defined benefit plans, gains/losses on remeasuring financial instruments in the category "available for sale" as well as effects from the measurement of cash flow hedges, from currency translation of foreign operations and income taxes attributable to these changes in net assets.

€ million	**1/10/2013**	**30/9/2014**	**30/9/2015**	**30/9/2016**
Effective portion of gains/losses from cash flow hedges	56	77	67	68
Remeasurement effects from "financial assets available for sale"	70	0	0	0
Currency translation differences from translating the financial statements of foreign operations	-365	-380	-557	-513
Remeasurement of defined benefit pension plans	-273	-446	-408	-503
Income tax on components of combined other comprehensive income	73	71	57	88
Other items of equity (total)	**-439**	**-678**	**-841**	**-860**

Changes in the financial instruments and the corresponding deferred tax effect consist of the following components:

€ million	**2013/14**	**2014/15**	**2015/16**
Initial or subsequent measurement of derivative financial instruments	24	-38	-2
Derecognition of cash flow hedges	-2	26	4
thereof in inventories	(-6)	(23)	(4)
thereof in net financial result	(-3)	(3)	0
Effective portion of gains/losses from cash flow hedges	21	-10	1
Remeasurement effects from "financial assets available for sale"	-70	0	0
	-49	**-10**	**1**
Net deferred tax effect thereon	-12	0	0
	-61	**-10**	**1**

The translation of the local balance sheets to the currency of MWFS GROUP results in an increase of €44 million in equity outside of profit or loss (30/9/2015: €-177 million; 30/9/2014: €-15 million). The recognition in profit or loss in the amount of €24 million from the cumulated currency differences of companies that will be deconsolidated in financial year 2015/16 or discontinue their operations had the opposite effect (30/9/2015: €0 million; 30/9/2014: €144 million).

In financial year 2015/16, effects of the remeasurement of defined benefit pension plans of €-95 million before deferred taxes were recognised outside of profit or loss (2014/15: €38 million; 2013/14: €-173 million). Related income taxes amounted to €32 million in financial year 2015/16 (2014/15: €-14 million; 2013/14: €15 million).

Non-controlling interests

Non-controlling interests comprise the shares held by third parties in the share capital of MWFS GROUP. As of 30 September 2016, they amounted to €36 million (30/9/2015: €34 million; 30/9/2014: €31 million; 1/10/2013: €12 million).

32. Provisions for post-employment benefits plans and similar obligations

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Provisions for post-employment benefits plans (employer's commitments)	321	401	364	448
Provisions for indirect commitments	50	52	49	54
Provisions for voluntary pension benefits	0	0	0	0
Provisions for company pension plans	86	92	83	88
Provisions for obligations similar to pensions	43	47	51	55
	500	592	547	646

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 Wholesale & Food Specialist AG assumes the entitlements to retirement, disability and surviving dependants benefits which METRO GROUP has granted to a large number of employees in Germany. 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 contributions 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 beginning 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.

In addition, the company has deferred compensation agreements with Hamburger Pensionskasse.

Netherlands

A defined benefit pension plan exists in the Netherlands and foresees pension payments in addition to invalidity and death benefits. The size 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 cutbacks in employee benefits.

In addition, another defined benefit plan exists in the Netherlands that is recognised as a defined contribution plan (multi-employer plan).

United Kingdom

In July 2012, 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 METRO GROUP exist. 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 whose size 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 MWFS GROUP countries as well as material obligations:

%	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Germany	35	35	34	32
Netherlands	35	36	34	36
United Kingdom	16	16	18	16
Belgium	3	4	4	6
Other countries	11	9	10	10
	100	**100**	**100**	**100**

The plan assets of MWFS GROUP are distributed proportionally to the following countries:

%	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Germany	7	7	8	7
Netherlands	61	62	61	63
United Kingdom	26	27	27	26
Belgium	3	2	2	2
Switzerland	3	2	2	2
	100	**100**	**100**	**100**

The above commitments are valued on the basis of actuarial calculations in accordance with IAS 19. The basis for the valuation is the legal, economic and tax circumstances prevailing in each country.

The following average assumptions regarding the material parameters were used in the actuarial valuation:

	1/10/2013					30/9/2014				
%	Germany	Netherlands	United Kingdom	Belgium	Other countries	Germany	Netherlands	United Kingdom	Belgium	Other countries
Actuarial interest rate	3.60	3.75	4.50	3.60	3.75	2.50	2.70	4.20	2.50	2.87
Inflation rate	2.00	1.50	2.60	2.00	0.03	2.00	1.50	2.50	2.00	0.06

%	30/9/2015 Germany	Netherlands	United Kingdom	Belgium	Other countries	30/9/2016 Germany	Netherlands	United Kingdom	Belgium	Other countries
Actuarial interest rate	2.50	2.70	3.90	2.50	2.59	1.40	1.70	2.40	1.40	1.61
Inflation rate	1.50	1.00	2.50	2.00	0.03	1.50	0.90	2.00	2.00	0.03

MWFS GROUP 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 in consideration 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 MWFS GROUP. 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 Heubeck. Modified tables were used in the context of the compensation programme for future post-employment benefits that was conducted in Germany. 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 four years, with a linear decline in the reduction from an initial value of 80 per cent to 0 per cent in year five. The actuarial valuations outside of Germany are based on country-specific mortality tables. The effects resulting from 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 years. The analysis considered changes in parameters that are appropriately considered possible. 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:

30/9/2014 € million		Germany	Netherlands	United Kingdom	Belgium	Other countries
Actuarial interest rate	Increase by 100 basis points	-59.20	-84.76	-32.58	-3.16	-10.00
	Decrease by 100 basis points	76.83	116.24	42.92	2.75	11.75
Inflation rate	Increase by 25 basis points	12.49	14.07	5.63	0.00	0.05
	Decrease by 25 basis points	-11.94	-13.46	-5.14	0.00	-0.05

30/9/2015 € million		Germany	Netherlands	United Kingdom	Belgium	Other countries
Actuarial interest rate	Increase by 100 basis points	-51.22	-77.26	-36.66	-2.21	-13.07
	Decrease by 100 basis points	66.04	105.87	48.14	2.27	16.02
Inflation rate	Increase by 25 basis points	10.13	12.52	6.40	0.00	0.74
	Decrease by 25 basis points	-9.75	-11.99	-5.74	0.00	-0.05

30/9/2016 € million		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
	Decrease by 100 basis points	84.41	145.62	50.38	4.05	18.42
Inflation rate	Increase by 25 basis points	12.69	16.84	4.22	0.00	0.95
	Decrease by 25 basis points	-12.12	-16.10	-4.13	0.00	-0.89

The sensitivity calculations for MWFS GROUP as of 1 October 2013 show that an increase in the actuarial interest rate by 100 basis points (decrease by 100 basis points) would reduce obligations by €144 million (increase obligations by €204 million). An increase in the inflation by 25 basis points (decline by 25 basis points) would result in a €26 million higher (€26 million lower) obligation.

The granting of defined benefit pension entitlements exposes MWFS GROUP 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, MWFS GROUP primarily invests plan assets in low-risk investments. The funding of direct pension commitments is secured through operating cash flow at MWFS GROUP.

The fair value of plan assets by asset category can be broken down as follows:

	1/10/2013 %	€ million	30/9/2014 %	€ million	30/9/2015 %	€ million	30/9/2016 %	€ million
Fixed-interest securities	47	277	40	280	40	307	42	361
Shares, funds	36	214	25	175	24	183	24	203
Real estate	4	26	4	27	4	29	3	29
Other assets	13	78	31	223	32	249	31	271
	100	**595**	**100**	**705**	**100**	**768**	**100**	**864**

Fixed-interest securities, shares and funds are regularly traded in active markets. 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.

Real estate assets are not traded in an active market. These are primarily used by MWFS GROUP itself.

Other assets essentially comprise reinsurance policies in Germany, the United Kingdom and Belgium. All of these are issued by first-rate insurance companies.

The actual gain from plan assets amounted to €129 million in the reporting period (2014/15: €47 million; 2013/14: €6 million).

For financial year 2016/17, the company expects employer payments to external pension providers totalling approximately €16 million and employee contributions of €8 million in plan assets, with contributions in the Netherlands and Germany accounting for the major share of this total. Expected contributions from payment contribution commitments in Germany are not included in expected payments.

The changes in the present value of defined benefit obligations in financial years 2015/16, 2014/15 and 2013/14 can be broken down as follows:

€ million	2013/14	2014/15	2015/16
Present value of defined benefit obligations			
As of the beginning of the period	1,052	1,249	1,206
Recognised under pension expenses through profit or loss	**68**	**56**	**75**
Interest expenses	40	36	33
Current service cost	21	25	22
Past service cost (incl. curtailments and changes)	9	-3	27
Settlement expenses	-2	-2	-7
Recognised outside of profit or loss under remeasurement of defined benefit pension plans in combined other comprehensive income	**151**	**-72**	**231**
Actuarial gains/losses from changes in			
demographic assumptions (–/+)	2	0	-1
financial assumptions (–/+)	178	-61	229
experience-based corrections (–/+)	-29	-11	3
Other effects	**-22**	**-27**	**-88**
Benefit payments (incl. tax payment)	-45	-46	-62
Contributions from plan participants	9	9	10
Change in combination group / transfers	0	-1	0
Currency effects	14	11	-36
As of end of period	**1,249**	**1,206**	**1,424**

In financial year 2015/16, the present value of defined benefit obligations declined by €36 million as a result of currency effects in the United Kingdom. The compensation programme conducted in Germany for current pensions by means of the capital option led to another reduction in the present value of defined benefit obligations by €21 million, of which €7 million was recognised as income in the EBIT item in the combined income statement.

Changes of actuarial parameters resulted in an increase in the present value of defined benefit obligations by €228 million (2014/15: decline by €61 million; 2013/14: increase of €180 million).

The weighted average term of defined benefit commitments for the countries with material pension obligations amounts to:

Years	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Germany	14	16	16	17
Netherlands	21	22	22	24
United Kingdom	18	19	19	19
Belgium	5	6	4	4
Other countries	9	11	12	13

The present value of defined benefit obligations can be broken down as follows based on individual groups of eligible employees:

%	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Active members	41	40	36	35
Former claimants	25	29	33	37
Pensioners	34	31	31	28

The fair value of plan assets developed as follows:

€ million	2013/14	2014/15	2015/16
Change in plan assets			
Fair value of plan assets as of beginning of period	595	705	768
Recognised under pension expenses through profit or loss	**23**	**22**	**22**
Interest income	23	22	22
Settlement payments	0	0	0
Recognised outside of profit or loss under remeasurement of defined benefit pension plans in combined other comprehensive income			
Gains/losses from plan assets excl. interest income (+/–)	-18	25	106
Other effects	**105**	**16**	**-32**
Benefit payments (incl. tax payments)	-21	-21	-25
Employer contributions	104	16	17
Contributions from plan participants	9	9	10
Change in combination group / transfers	0	1	0
Currency effects	13	11	-34
Fair value of plan assets as of end of period	**705**	**768**	**864**

In financial year 2015/16, plan assets declined by €34 million as a result of currency effects in the United Kingdom.

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Financing status				
Present value of defined benefit obligations	1,052	1,249	1,206	1,424
Fair value of plan assets	595	705	768	864
Asset adjustment (asset ceiling)	0	0	59	31
Net liability / assets	**457**	**544**	**497**	**591**
thereof recognised under provisions	457	544	497	591
thereof recognised under net assets	**0**	**0**	**0**	**0**

At one Dutch company, plan assets exceeded the value of commitments as of the closing date. Since the company cannot draw any economic benefits from this overfunding, the balance sheet amount was reduced to €0 in line with IAS 19.64 (b) (2014/15: €0). The change in the effect of the asset ceiling of approximately €31 million was recognised in other comprehensive income (2014/15: €59 million).

The pension expenses of the direct and indirect company pension plans can be broken down as follows:

€ million	2013/14	2014/15	2015/16
Current service cost[1]	21	25	22
Net interest expenses	16	14	12
Past service cost (incl. curtailments and changes)	9	-3	27
Settlements	-2	-2	-7
Other pension expenses	1	1	1
Pension expenses	**44**	**34**	**54**

[1] 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 €167 million (2014/15: €167 million; 2013/14: €168 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 pre-retirement part-time plans. Provisions amounting to €55 million (30/9/2015: €51 million; 30/9/2014: €47 million; 30/9/2013: €43 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)

Other provisions developed as follows:

€ million	Real estate-related obligations	Obligations from trade transactions	Restructuring	Other taxes	Miscellaneous	Total
As of 1/10/2013	**139**	**73**	**110**	**23**	**339**	**685**
Currency translation	1	-0	-1	1	2	2
Addition	74	70	62	9	299	514
Reversal	-8	-3	-11	-0	-82	-104
Utilisation	-39	-88	-76	-6	-127	-335
Change in combination group	0	0	0	0	-0	-0
Interest portion in addition/change in interest rate	2	2	1	0	1	5
Transfer	-4	0	6	-1	-13	-11
As of 30/9 / 1/10/2014	**165**	**54**	**92**	**27**	**419**	**756**
Non-current	99	0	10	7	175	291
Current	66	54	81	20	244	466
As of 30/9/2014	**165**	**54**	**92**	**27**	**419**	**756**
Currency translation	1	-1	0	1	-3	-2
Addition	93	72	120	7	295	588
Reversal	-12	-2	-10	-2	-71	-98
Utilisation	-45	-62	-68	-8	-212	-394
Change in combination group	0	0	0	0	-1	-2
Interest portion in addition/change in interest rate	4	0	0	0	2	7
Transfer	-13	0	0	0	14	1
As of 30/9 / 1/10/2015	**194**	**61**	**134**	**25**	**443**	**857**
Non-current	101	0	51	8	198	358
Current	93	61	83	17	245	499
As of 30/9 / 1/10/2015	**194**	**61**	**134**	**25**	**443**	**857**
Currency translation	0	0	0	-1	-3	-3
Addition	49	73	199	4	187	512
Reversal	-15	-3	-20	-2	-106	-145
Utilisation	-45	-69	-92	-7	-153	-367
Change in combination group	0	0	0	0	-1	-1
Interest portion in addition/change in interest rate	2	0	0	0	1	3
Transfer	-5	1	44	0	-40	0
As of 30/9/2016	**180**	**64**	**265**	**20**	**328**	**856**
Non-current	108	0	60	7	122	297
Current	72	64	205	12	206	559
As of 30/9/2016	**180**	**64**	**265**	**20**	**328**	**856**

Provisions for real estate-related obligations concern store-related risks in the amount of €47 million (30/9/2015: €55 million; 30/9/2014: €59 million; 1/10/2013: €64 million), deficient rental covers amounting to €48 million (30/9/2015: €56 million; 30/9/2014: €45 million;

1/10/2013: €26 million), rental commitments amounting to €33 million (30/9/2015: €25 million; 30/9/2014: €21 million; 1/10/2013: €24 million) and reinstatement obligations amounting to €29 million (30/9/2015: €27 million; 30/9/2014: €16 million; 1/10/2013: €16 million). Other real estate obligations in the amount of €22 million (30/9/2015: €31 million; 30/9/2014: €25 million; 1/10/2013: €11 million) stem essentially from maintenance obligations.

A total of €108 million (30/9/2015: €101 million; 30/9/2014: €99 million; 1/10/2013: €103 million) in real estate related obligations are long-term obligations.

Significant components of the obligations from trade transactions are provisions for rebates from customer loyalty programmes in the amount of €35 million (30/9/2015: €32 million; 30/9/2014: €37 million; 1/10/2013: €57 million), provisions for rights of return of €4 million (30/9/2015: €5 million; 30/9/2014: €5 million; 1/10/2013: €5 million) as well as provisions for warranty services in the amount of €2 million (30/9/2015: €2 million; 30/9/2014: €3 million; 1/10/2013: €3 million). Provisions for trade transactions do not contain any long-term components.

Restructuring provisions totalling €265 million (30/9/2015: €134 million; 30/9/2014: €92 million; 1/10/2013: €110 million) essentially relate to METRO Cash & Carry in the amount of €126 million (30/9/2015: €63 million; 30/9/2014: €55 million; 1/10/2013: €32 million), Real in the amount of €15 million (30/9/2015: €13 million; 30/9/2014: €29 million; 1/10/2013: €48 million) and other companies in the amount of €125 million (30/9/2015: €58 million; 30/9/2014: €8 million; 1/10/2013: €30 million). The long-term portion of restructuring provisions amounts to €60 million (30/9/2015: €51 million; 30/9/2014: €10 million; 1/10/2013: €19 million).

Aside from essential risk provisions for portfolio changes, other provisions mainly concern provisions for litigation costs/risks in the amount of €66 million (30/9/2015: €120 million; 30/9/2014: €139 million; 1/10/2013: €47 million), provisions for share-based payments amounting to €34 million (30/9/2015: €19 million; 30/9/2014: €13 million; 1/10/2013: €11 million), surety and guarantee risks of €29 million (30/9/2015: €18 million; 30/9/2014: €26 million; 1/10/2013: €19 million). The long-term portion of other provisions amounts to €122 million (30/9/2015: €198 million; 30/9/2014: €175 million; 1/10/2013: €111 million).

The dissolution of provisions in financial year 2015/16 primarily concerns risk provisions for portfolio changes and terminated legal disputes.

Transfers primarily concern reclassifications within other provisions. In financial year 2013/14, this also includes reclassifications to "liabilities related to assets held for sale" in connection with the disposal of the wholesale business in Vietnam, which was planned at the time and has since been implemented.

Depending on the respective terms and countries, interest rates of non-interest-bearing, non-current provisions range from 0.00 per cent to 5.62 per cent (30/9/2015: 0.00 to 15.92 per cent; 30/9/2014: 0.90 to 8.00 per cent; 1/10/2013: 1.1 to 9.7 per cent).

34. Liabilities

€ million	Remaining term				Remaining term			
	1/10/2013 Total	up to 1 year	1 to 5 years	over 5 years	30/9/2014 Total	up to 1 year	1 to 5 years	over 5 years
Trade liabilities	**5,310**	**5,310**	**0**	**0**	**5,218**	**5,218**	**0**	**0**
Bonds	5,050	1,616	2,637	797	4,463	2,024	2,140	299
Liabilities to banks	933	300	374	258	650	241	317	92
Promissory note loans	414	161	199	54	462	209	200	54
Other borrowings	344	344	0	0	855	855	0	0
Liabilities from finance leases	1,307	106	375	825	1,158	97	332	728
Borrowings	**8,048**	**2,528**	**3,586**	**1,934**	**7,588**	**3,425**	**2,990**	**1,173**
Other tax liabilities	198	198	0	0	250	250	0	0
Prepayments received on orders	17	17	0	0	15	15	0	0
Payroll liabilities	547	546	1	0	561	561	0	0
Liabilities from other financial transactions	31	23	8	0	12	7	5	0
Deferred income	198	108	57	33	195	122	46	27
Miscellaneous liabilities	622	597	17	7	567	535	17	15
Other financial and non-financial liabilities	**1,612**	**1,489**	**82**	**41**	**1,600**	**1,490**	**68**	**42**
Income tax liabilities	**235**	**234**	**0**	**0**	**264**	**264**	**0**	**0**
	15,205	**9,562**	**3,668**	**1,975**	**14,670**	**10,397**	**3,058**	**1,215**

€ million	Remaining term				Remaining term			
	30/9/2015 Total	up to 1 year	1 to 5 years	over 5 years	30/9/2016 Total	up to 1 year	1 to 5 years	over 5 years
Trade liabilities	**5,011**	**5,011**	**0**	**0**	**4,892**	**4,892**	**0**	**0**
Bonds	4,550	1,311	1,970	1,268	3,164	722	1,172	1,269
Liabilities to banks	1,155	898	174	83	275	130	127	17
Promissory note loans	415	295	66	54	68	2	12	54
Other borrowings	361	361	0	0	0	0	0	0
Liabilities from finance leases	1,194	96	347	752	1,234	90	380	764
Borrowings	**7,675**	**2,961**	**2,557**	**2,156**	**4,740**	**944**	**1,691**	**2,104**
Other tax liabilities	159	159	0	0	161	161	0	0
Prepayments received on orders	13	13	0	0	15	15	0	0
Payroll liabilities	585	585	0	0	554	553	0	0
Liabilities from other financial transactions	26	26	0	0	16	16	0	0
Deferred income	234	139	59	35	222	134	54	34
Miscellaneous liabilities	585	537	35	13	752	713	22	17
Other financial and non-financial liabilities	**1,602**	**1,459**	**94**	**49**	**1,718**	**1,591**	**76**	**51**
Income tax liabilities	**116**	**116**	**0**	**0**	**128**	**127**	**0**	**0**
	14,404	**9,548**	**2,652**	**2,205**	**11,478**	**7,554**	**1,768**	**2,155**

35. Trade liabilities

The change in trade liabilities as of 30 September 2016 compared with the previous year is due to different developments at the Real and METRO Cash & Carry sales lines. At Real, store closures and the appointment of a new regulatory service provider were reflected in distinctly lower trade liabilities. The opposite effect was produced by a substantial increase in trade liabilities at METRO Cash & Carry, which primarily stemmed from the acquisition of the Rungis express group as well as changed payment dates.

In the two previous financial years 2014/15 and 2013/14, trade liabilities had declined overall.

As of 30 September 2015, the decline in trade liabilities at the METRO Cash & Carry sales line, which, at €66 million, was primarily due to the disposal of METRO Cash & Carry Greece, caused trade liabilities to decrease from €5,218 million to €5,011 million.

Trade liabilities declined by €92 million between 30 September 2014 and 1 October 2013. This is due to the reclassification of €45 million from the disposal of METRO Cash & Carry Vietnam to the item "liabilities related to assets held for sale". In addition, trade liabilities at Real declined by €147 million due to increased regulations, greater offsetting and the disposal of Real's business in Turkey. The opposite effect was produced by new store openings and higher product purchasing at the METRO Cash & Carry sales line.

In addition, currency effects had an impact on reported trade liabilities of €-7 million as of 30 September 2016 (30/9/2015: €-160 million; 30/9/2014: €-78 million; 1/10/2013: €-95 million). The development of the Russian and Ukrainian currencies against the euro was the key driver behind these currency effects.

36. Borrowings

An ongoing capital market programme serves as a source of medium-term and long-term financing. In financial year 2015/16, the following transactions were conducted in the context of this programme.

The €50 million bond with a coupon of 3.1 per cent that was due on 25 January 2016 and the €60 million bond with a coupon of 3 per cent that was due on 1 February 2016 were repaid on time, as was the CHF 225 million bond with a coupon of 1.875 per cent that was due on 2 May 2016. In addition, an early repayment of €128 million from a €750 million bond with a coupon of 4.25 per cent maturing on 22 February 2017 was made in September 2016.

As of 30 September 2016, a total of €3.1 billion was utilised from the ongoing issuance programme (30/9/2015: €3.6 billion; 30/9/2014: €3.4 billion; 1/10/2013: €4.5 billion).

Key transactions in the context of the ongoing capital market programme during financial years 2013/14 and 2014/15:

In October 2014, a benchmark bond with a volume of €500 million, a seven-year term and a coupon of 1.375 per cent was issued in the euro capital market. In addition, a €600 million bond with a term of ten years and a coupon of 1.5 per cent was placed in March 2015. The €1 billion bond that was due in March 2015 and the €500 million and €600 million bonds that were due in November 2013 and July 2014, respectively, were repaid on time.

Aside from the ongoing capital market programme, medium- and long-term financing also involves the issuance of promissory note loans. In this context, promissory note loans with a volume of €291 million were repaid on time during the past financial year. In addition, promissory note loans in the amount of €55 million were partially repaid early.

Short-term financing requirements are covered through the bonds accounted for in 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 average amount utilised from both programmes in financial year 2015/16 was €334 million (2014/15: €1,107 million; 2013/14: €782 million; 2012/13: €1,143 million). As of 30 September 2016, the used volume totalled €0 million (30/9/2015: €941 million; 30/9/2014: €938 million; 1/10/2013: €383 million).

In addition, MWFS GROUP has access to syndicated credit facilities totalling €2,525 million (30/9/2015: €2,525 million; 30/9/2014: €2,525 million; 1/10/2013: €2,500 million). In financial year 2015/16, these credit facilities had terms until 2019 to 2021. In the last three financial years, the terms ended between 2017 and 2019. In case of utilisation, the interest rates range from EURIBOR +50.0 basis points (bps) to EURIBOR +55.0 bps (2014/15 and 2013/14: +50.0 bps to +55.0 bps; 2012/13: +85.0 to +95.0 bps). The syndicated credit facilities were not utilised in the past three financial years.

The contract terms for the syndicated credit facilities provide for an increase of 5 to 10 bps in the spread if METRO GROUP's credit rating is lowered by one step. In the event of a downgrade in METRO GROUP's rating, the margins increase by 20 to 25 bps. In financial years 2014/15 and 2013/14, the contract terms provided for a reduction of 5 to 10 bps in the spread if METRO GROUP's credit rating was raised by one step. In the event of a rating downgrade, the margins would have increased by 20 to 25 bps. In financial year 2012/13, the spreads would have decreased by 5 to 20 bps in the event of a rating upgrade.

As of 30 September 2016, MWFS GROUP had access to additional bilateral bank credit facilities totalling €679 million (30/9/2015: €1,685 million; 30/9/2014: €1,215 million; 1/10/2013: €1,663 million), of which €435 million (30/9/2015: €928 million; 30/9/2014: €281 million; 1/10/2013: €395 million) had a remaining term of up to one year. As of 30 September 2016, a total of €275 million (30/9/2015: €1,155 million; 30/9/2014: €650 million; 1/10/2013: €933 million) of the bilateral credit facilities had been utilised. Of this amount, €130 million (30/9/2015: €898 million; 30/9/2014: €241 million; 1/10/2013: €300 million) had a remaining term of up to one year.

Unutilised credit facilities of MWFS GROUP

	1/10/2013			30/9/2014			30/9/2015			30/9/2016		
		Remaining term			Remaining term			Remaining term			Remaining term	
€ million	Total	up to 1 year	over 1 year	Total	up to 1 year	over 1 year	Total	up to 1 year	over 1 year	Total	up to 1 year	over 1 year
Bilateral credit facilities	1,663	395	1,268	1,215	281	934	1,685	928	757	679	435	244
Utilisation	-933	-300	-633	-650	-241	-409	-1,155	-898	-257	-275	-130	-144
Unutilised bilateral credit facilities	730	95	635	565	40	525	530	30	500	404	305	100
Syndicated credit facilities	2,500	0	2,500	2,525	0	2,525	2,525	0	2,525	2,525	0	2,525
Utilisation	0	0	0	0	0	0	0	0	0	0	0	0
Unutilised syndicated credit facilities	2,500	0	2,500	2,525	0	2,525	2,525	0	2,525	2,525	0	2,525
Total credit facilities	4,163	395	3,768	3,740	281	3,459	4,210	928	3,282	3,204	435	2,769
Total utilisation	-933	-300	-633	-650	-241	-409	-1,155	-898	-257	-275	-130	-144
Total undrawn credit facilities	**3,230**	**95**	**3,135**	**3,090**	**40**	**3,050**	**3,055**	**30**	**3,025**	**2,929**	**305**	**2,625**

The defaulting of a lender can be covered at any time by the existing undrawn credit facilities or the available money and capital market programmes. MWFS GROUP therefore does not bear any credit default risk.

MWFS GROUP principally does not provide collateral for borrowings. One exception concerns METRO PROPERTIES GmbH & Co. KG and its subsidiaries. As of 30 September 2016, collateral was provided for borrowings totalling €35 million (30/9/2015: €118 million; 30/9/2014: €139 million; 1/10/2013: €245 million).

The following tables show the maturity structure of the borrowings. The carrying amounts and fair values indicated include the interest accrued when the maturity is less than one year.

Bonds

		1/10/2013				30/9/2014				30/9/2015				30/9/2016			
Currency	Remaining term	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million
EUR	up to 1 year	1,483	1,483	1,615		1,926	1,926	2,010		1,051	1,051	1,104		672	672	722	
	1 to 5 years	2,460	2,460	2,453		1,960	1,960	1,954		1,975	1,975	1,970		1,175	1,175	1,172	
	over 5 years	801	801	797		301	301	299		1,276	1,276	1,268		1,276	1,276	1,269	
		4,744	**4,744**	**4,865**	**5,077**	**4,187**	**4,187**	**4,263**	**4,472**	**4,302**	**4,302**	**4,342**	**4,433**	**3,123**	**3,123**	**3,164**	**3,299**
CHF	up to 1 year	0	0	1		0	0	1		225	206	208		0	0	0	
	1 to 5 years	225	184	184		225	187	186		0	0	0		0	0	0	
	over 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
		225	**184**	**185**	**190**	**225**	**187**	**187**	**192**	**225**	**206**	**208**	**210**	**0**	**0**	**0**	**0**
USD	up to 1 year	0	0	0		15	12	12		0	0	0		0	0	0	
	1 to 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
	over 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
		0	**0**	**0**	**0**	**15**	**12**	**12**	**12**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Liabilities to banks (excl. current account)

		1/10/2013				30/9/2014				30/9/2015				30/9/2016			
Currency	Remaining term	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million
EUR	up to 1 year	100	100	109		50	50	53		692	692	696		8	8	10	
	1 to 5 years	182	182	182		267	267	267		124	124	124		57	57	57	
	over 5 years	238	238	238		92	92	92		83	83	83		17	17	17	
		520	**520**	**529**	**542**	**409**	**409**	**412**	**429**	**899**	**899**	**903**	**913**	**82**	**82**	**84**	**86**
INR	up to 1 year	1,114	13	14		1,990	26	26		4,082	56	56		1,510	20	20	
	1 to 5 years	3,339	39	39		3,580	46	46		761	10	10		2,457	33	33	
	over 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
		4,453	**52**	**53**	**53**	**5,570**	**72**	**72**	**73**	**4,843**	**66**	**66**	**67**	**3,967**	**53**	**53**	**55**
JPY	up to 1 year	1,770	13	13		7,975	58	58		1,970	15	15		1,370	12	12	
	1 to 5 years	8,575	65	65		600	4	4		5,335	40	40		4,165	37	37	
	over 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
		10,345	**78**	**78**	**79**	**8,575**	**62**	**62**	**62**	**7,305**	**55**	**55**	**58**	**5,535**	**49**	**49**	**51**
TRY	up to 1 year	4	1	1		0	0	0		0	0	0		0	0	0	
	1 to 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
	over 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
		4	**1**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
UAH	up to 1 year	209	19	19		0	0	0		0	0	0		0	0	0	
	1 to 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
	over 5 years	0	0	0		0	0	0		0	0	0		0	0	0	
		209	**19**	**19**	**19**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
USD	up to 1 year	17	13	13		0	0	0		0	0	0		0	0	0	
	1 to 5 years	119	88	88		0	0	0		0	0	0		0	0	0	
	over 5 years	26	20	20		0	0	0		0	0	0		0	0	0	
		162	**121**	**121**	**124**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Promissory note loans

		1/10/2013				30/9/2014				30/9/2015				30/9/2016			
Currency	Remaining term	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million	Nominal values in million currency	Nominal values € million	Carrying amounts € million	Fair values € million
EUR	up to 1 year	157	157	161		205	205	209		291	291	295		0	0	2	
	1 to 5 years	200	200	199		200	200	200		67	67	66		12	12	12	
	over 5 years	54	54	54		54	54	54		54	54	54		54	54	54	
		411	411	414	425	459	459	463	477	412	412	415	428	66	66	68	77

Redeemable loans that are shown under liabilities to banks are listed with the remaining terms corresponding to their redemption date. For remaining terms of over one year, the indicated fair value of these loans generally includes the carrying amount. The difference between the carrying amount and the fair value of the entire loan is shown in maturities up to one year.

The following tables show the interest rate structure of the borrowings:

Bonds

Interest rate structure	Currency	Remaining term	1/10/2013 Nominal value in € million	30/9/2014 Nominal value in € million	30/9/2015 Nominal value in € million	30/9/2016 Nominal value in € million
Fixed interest	EUR	up to 1 year	1,483	1,000	110	622
		1 to 5 years	2,410	1,910	1,925	1,175
		over 5 years	801	301	1,276	1,276
	CHF	up to 1 year	0	0	206	0
		1 to 5 years	184	187	0	0
		over 5 years	0	0	0	0
Variable interest	EUR	up to 1 year	0	926	941	50
		1 to 5 years	50	50	50	0
		over 5 years	0	0	0	0
	USD	up to 1 year	0	12	0	0
		1 to 5 years	0	0	0	0
		over 5 years	0	0	0	0

Liabilities to banks (excl. current account)

Interest rate structure	Currency	Remaining term	1/10/2013 Nominal value in € million	30/9/2014 Nominal value in € million	30/9/2015 Nominal value in € million	30/9/2016 Nominal value in € million
Fixed interest	EUR	up to 1 year	100	50	692	8
		1 to 5 years	182	267	124	57
		over 5 years	238	92	83	17
	INR	up to 1 year	13	26	56	20
		1 to 5 years	39	46	10	33
		over 5 years	0	0	0	0
	TRY	up to 1 year	1	0	0	0
		1 to 5 years	0	0	0	0
		over 5 years	0	0	0	0
	USD	up to 1 year	10	0	0	0
		1 to 5 years	80	0	0	0
		over 5 years	20	0	0	0
	UAH	up to 1 year	19	0	0	0
		1 to 5 years	0	0	0	0
		over 5 years	0	0	0	0
Variable interest	JPY	up to 1 year	13	58	15	12
		1 to 5 years	65	4	40	37
		over 5 years	0	0	0	0

Promissory note loans

Interest rate structure	Currency	Remaining term	1/10/2013 Nominal value in € million	30/9/2014 Nominal value in € million	30/9/2015 Nominal value in € million	30/9/2016 Nominal value in € million
Fixed interest	EUR	up to 1 year	31	205	222	0
		1 to 5 years	105	105	41	9
		over 5 years	54	54	54	54
Variable interest	EUR	up to 1 year	126	0	70	0
		1 to 5 years	95	95	26	3
		over 5 years	0	0	0	0

The fixed interest rate for short-term and medium-term borrowings and the repricing dates of all fixed-interest borrowings essentially correspond to the displayed remaining terms. The repricing dates for variable interest rates are less than one year.

As of the closing dates of 30 September 2015, 30 September 2014 and 1 October 2013, the borrowings of MWFS GROUP include bonds, liabilities to banks, promissory note loans and

liabilities from finance leases as well as other borrowings (30/9/2015: €361 million; 30/9/2014: €855 million; 1/10/2013: €344 million). Miscellaneous financial liabilities relate to short-term interest-bearing liabilities towards companies of CE GROUP and the GALERIA Kaufhof group (GALERIA Kaufhof group only until 1/10/2013 and 30/9/2014).

The effects that changes in interest rates concerning the variable portion of borrowings have on combined profit or loss for the period and equity of MWFS GROUP are described in detail in no. 44 – *management of financial risks*.

37. Other financial and non-financial liabilities

As of 30 September 2016, key items in miscellaneous financial liabilities concern liabilities from the purchase of other fixed assets of €253 million (30/9/2015: €235 million; 30/9/2014: €251 million; 1/10/2013: €228 million) as well as a liability in connection with the initial cash resources of CE GROUP in the amount of €221 million. In addition, this item includes liabilities to customers totalling €49 million (30/9/2015: €44 million; 30/9/2014: €46 million; 1/10/2013: €40 million), liabilities from put options of third-party shareholders of MWFS GROUP in the amount of €22 million (30/9/2015: €101 million; 30/9/2014: €72 million; 1/10/2013: €78 million) as well as liabilities from real estate totalling €12 million (30/9/2015: €18 million; 30/9/2014: €24 million; 1/10/2013: €22 million). In addition, this item includes a large number of 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 guarantee contracts and other accruals.

Material items in remaining other liabilities include prepayments on orders received of €15 million (30/9/2015: €13 million; 30/9/2014: €15 million; 1/10/2013: €17 million) as well as liabilities from leases (no finance leases) totalling €13 million (30/9/2015: €11 million; 30/9/2014: €10 million; 1/10/2013: €7 million).

	1/10/2013			30/9/2014			30/9/2015			30/9/2016		
		Remaining term			Remaining term			Remaining term			Remaining term	
€ million	**Total**	**up to 1 year**	**over 1 year**	**Total**	**up to 1 year**	**over 1 year**	**Total**	**up to 1 year**	**over 1 year**	**Total**	**up to 1 year**	**over 1 year**
Payroll liabilities	547	546	1	561	561	0	585	585	0	554	553	0
Miscellaneous financial liabilities	620	595	26	550	522	28	582	544	38	703	677	26
Other financial liabilities	**1,167**	**1,141**	**26**	**1,111**	**1,083**	**28**	**1,166**	**1,128**	**38**	**1,256**	**1,230**	**26**
Other tax liabilities	198	198	0	250	250	0	159	159	0	161	161	0
Deferred income	198	108	90	195	122	73	234	139	94	222	134	88
Miscellaneous non-financial liabilities	49	42	6	44	35	9	43	33	11	79	67	13
Other non-financial liabilities	**445**	**348**	**96**	**488**	**407**	**82**	**436**	**331**	**105**	**462**	**361**	**101**
Other financial and non-financial liabilities	**1,612**	**1,489**	**123**	**1,600**	**1,490**	**110**	**1,602**	**1,459**	**143**	**1,718**	**1,591**	**127**

38. Offsetting financial assets and financial liabilities

The following tables show financial assets and financial liabilities that are subject to offsetting agreements, enforceable master netting arrangements and similar agreements:

	1/10/2013					
	(a)	(b)	I = (a) - (b)	(d)		I = I - (d)
	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/ assets that are netted in the combined balance sheet	Net amounts of financial assets/ liabilities that are shown in the combined balance sheet	Corresponding amounts that are not netted in the combined balance sheet		
€ million				Financial instruments	Collateral received/ provided	Net amount
Financial assets						
Loans and advance credit granted	609	0	609	0	0	609
Receivables due from suppliers	929	364	565	130	0	435
Trade receivables	405	25	380	0	0	380
Investments	264	0	264	0	0	264
Miscellaneous financial assets	374	12	362	1	2	359
Derivative financial instruments	36	18	18	3	0	15
Cash and cash equivalents	1,506	0	1,506	0	0	1,506
Receivables from finance leases	44	0	44	0	0	44
	4,167	**418**	**3,748**	**134**	**2**	**3,613**
Financial liabilities						
Borrowings (excl. finance leases)	6,741	0	6,741	0	0	6,741
Trade liabilities	5,697	387	5,310	130	0	5,180
Miscellaneous financial liabilities	1,153	13	1,140	1	0	1,138
Derivative financial instruments	45	18	27	3	10	14
Liabilities from finance leases	1,307	0	1,307	0	0	1,307
	14,943	**418**	**14,524**	**134**	**10**	**14,381**

€ million	30/9/2014 (a) Gross amounts of recognised financial assets/liabilities	(b) Gross amounts of recognised financial liabilities/ assets that are netted in the combined balance sheet	I = (a) – (b) Net amounts of financial assets/ liabilities that are shown in the combined balance sheet	(d) Corresponding amounts that are not netted in the combined balance sheet: Financial instruments	Collateral received/ provided	I = I – (d) Net amount
Financial assets						
Loans and advance credit granted	608	0	608	0	0	608
Receivables due from suppliers	1,012	420	592	110	0	482
Trade receivables	443	41	402	0	0	402
Investments	13	0	13	0	0	13
Miscellaneous financial assets	332	9	323	2	0	322
Derivative financial instruments	64	15	49	2	0	47
Cash and cash equivalents	1,512	0	1,512	0	0	1,512
Receivables from finance leases	34	0	34	0	0	34
	4,019	**485**	**3,534**	**114**	**0**	**3,420**
Financial liabilities						
Borrowings (excl. finance leases)	6,430	0	6,430	0	0	6,430
Trade liabilities	5,672	454	5,218	110	0	5,108
Miscellaneous financial liabilities	1,118	16	1,102	2	0	1,100
Derivative financial instruments	24	15	9	2	5	2
Liabilities from finance leases	1,158	0	1,158	0	0	1,158
	14,402	**485**	**13,917**	**114**	**5**	**13,798**

€ million	30/9/2015 (a) Gross amounts of recognised financial assets/ liabilities	(b) Gross amounts of recognised financial liabilities/ assets that are netted in the combined balance sheet	I = (a) – (b) Net amounts of financial assets/ liabilities that are shown in the combined balance sheet	(d) Corresponding amounts that are not netted in the combined balance sheet Financial instruments	 Collateral received/ provided	I = I – (d) Net amount
Financial assets						
Loans and advance credit granted	411	0	411	0	0	411
Receivables due from suppliers	1,028	450	577	88	0	490
Trade receivables	437	3	434	0	0	434
Investments	8	0	8	0	0	8
Miscellaneous financial assets	724	2	722	0	0	722
Derivative financial instruments	54	0	54	4	20	30
Cash and cash equivalents	3,436	0	3,436	0	0	3,436
Receivables from finance leases	33	0	33	0	0	33
	6,130	**455**	**5,675**	**92**	**20**	**5,564**
Financial liabilities						
Borrowings (excl. finance leases)	6,481	0	6,481	0	0	6,481
Trade liabilities	5,461	450	5,011	88	0	4,923
Miscellaneous financial liabilities	1,146	5	1,142	0	0	1,142
Derivative financial instruments	24	0	24	4	0	21
Liabilities from finance leases	1,194	0	1,194	0	0	1,194
	14,307	**455**	**13,852**	**92**	**0**	**13,760**

€ million	30/9/2016 (a) Gross amounts of recognised financial assets/ liabilities	(b) Gross amounts of recognised financial liabilities/ assets that are netted in the combined balance sheet	I = (a) – (b) Net amounts of financial assets/ liabilities that are shown in the combined balance sheet	(d) Corresponding amounts that are not netted in the combined balance sheet Financial instruments	 Collateral received/ provided	I = I – (d) Net amount
Financial assets						
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	376	1	375	0	0	375
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
	3,481	**345**	**3,136**	**78**	**0**	**3,058**
Financial liabilities						
Borrowings (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
	11,233	**345**	**10,888**	**78**	**0**	**10,810**

The corresponding amounts that are not netted in the combined 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 MWFS GROUP has received from a third party as collateral for assets.

For more information about collateral, see no. 44 – *management of financial risks*.

39. Undiscounted cash flows of financial liabilities

The undiscounted cash flows of borrowings, trade liabilities and derivative liabilities are as follows:

€ million	**Carrying amount 1/10/2013**	**Cash flows up to 1 year**		**Cash flows of 1 to 5 years**		**Cash flows over 5 years**	
		Interest	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**
Financial liabilities							
Bonds	5,050	239	1,483	355	2,644	69	801
Liabilities to banks	933	66	290	165	374	11	258
Promissory note loans	414	11	157	21	200	9	54
Other borrowings	344	0	344	0	0	0	0
Finance leases	1,307	108	106	286	375	432	825
Trade liabilities	5,310	0	5,310	0	0	0	0
Fixed-interest derivatives carried as liabilities	5	5	0	0	0	0	0
Currency derivatives carried as liabilities	21	0	13	0	8	0	0
Commodity derivatives carried as liabilities	1	0	1	0	0	0	0

€ million	**Carrying amount 30/9/2014**	**Cash flows up to 1 year**		**Cash flows of 1 to 5 years**		**Cash flows over 5 years**	
		Interest	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**
Financial liabilities							
Bonds	4,463	104	1,938	216	2,147	75	301
Liabilities to banks	650	21	238	30	317	8	92
Promissory note loans	462	8	205	17	200	7	54
Other borrowings	855	1	855	0	0	0	0
Finance leases	1,158	82	97	270	332	333	728
Trade liabilities	5,218	0	5,218	0	0	0	0
Fixed-interest derivatives carried as liabilities	0	0	0	0	0	0	0
Currency derivatives carried as liabilities	9	0	5	0	5	0	0
Commodity derivatives carried as liabilities	0	0	0	0	0	0	0

€ million	**Carrying amount 30/9/2015**	**Cash flows up to 1 year**		**Cash flows of 1 to 5 years**		**Cash flows over 5 years**	
		Interest	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**
Financial liabilities							
Bonds	4,550	45	1,257	231	1,975	101	1,276
Liabilities to banks	1,155	15	894	21	174	6	83
Promissory note loans	415	7	291	13	67	5	54
Other borrowings	361	0	361	0	0	0	0
Finance leases	1,194	81	96	273	347	310	752
Trade liabilities	5,011	0	5,011	0	0	0	0
Fixed-interest derivatives carried as liabilities	0	0	0	0	0	0	0
Currency derivatives carried as liabilities	24	0	24	0	0	0	0
Commodity derivatives carried as liabilities	0	0	0	0	0	0	0

€ 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
Financial liabilities							
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
Other borrowings	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
Fixed-interest 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	1/10/2013				
		Combined balance sheet value			
	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**17,689**	**–**	**–**	**–**	**–**
Loans and receivables	1,915	1,915	0	0	1,922
Loans and advance credit granted	609	609	0	0	615
Receivables due from suppliers	565	565	0	0	565
Trade receivables	380	380	0	0	380
Miscellaneous financial assets	361	361	0	0	362
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**18**	**0**	**18**	**0**	**18**
Derivative financial instruments not in a hedging relationship according to IAS 39	18	0	18	0	18
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**266**	**11**	**0**	**254**	**–**
Investments	264	11	0	253	–
Securities	1	0	0	1	1
Derivative financial instruments within hedges according to IAS 39	**0**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**1,506**	**1,506**	**0**	**0**	**1,506**
Receivables from finance leases (amount according to IAS 17)	**44**	**–**	**–**	**–**	**62**
Assets not classified according to IFRS 7	**13,941**	**–**	**–**	**–**	**–**
Equity and liabilities	**17,689**	**–**	**–**	**–**	**–**
Held for trading	**7**	**0**	**7**	**0**	**7**
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0	7
Other financial liabilities	**13,190**	**13,112**	**0**	**78**	**13,432**
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	6,741	6,741	0	0	6,983
Trade liabilities	5,310	5,310	0	0	5,310
Miscellaneous financial liabilities	1,140	1,062	0	78	1,139
Derivative financial instruments within hedges according to IAS 39	**20**	**0**	**0**	**20**	**20**
Liabilities from finance leases (amount according to IAS 17)	**1,307**	**–**	**–**	**–**	**1,534**
Liabilities not classified according to IFRS 7	**3,165**	**–**	**–**	**–**	**–**

€ million	30/9/2014 Carrying amount	Combined balance sheet value (Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**17,103**	**–**	**–**	**–**	**–**
Loans and receivables	**1,925**	**1,925**	**0**	**0**	**1,929**
Loans and advance credit granted	608	608	0	0	612
Receivables due from suppliers	592	592	0	0	592
Trade receivables	402	402	0	0	402
Miscellaneous financial assets	322	322	0	0	322
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**26**	**0**	**26**	**0**	**26**
Derivative financial instruments not in a hedging relationship according to IAS 39	26	0	26	0	26
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**15**	**13**	**0**	**1**	**–**
Investments	13	13	0	0	–
Securities	1	0	0	1	1
Derivative financial instruments within hedges according to IAS 39	**23**	**0**	**0**	**23**	**23**
Cash and cash equivalents	**1,512**	**1,512**	**0**	**0**	**1,512**
Receivables from finance leases (amount according to IAS 17)	**34**	**–**	**–**	**–**	**44**
Assets not classified according to IFRS 7	**13,569**	**–**	**–**	**–**	**–**
Equity and liabilities	**17,103**	**–**	**–**	**–**	**–**
Held for trading	**5**	**0**	**5**	**0**	**5**
Derivative financial instruments not in a hedging relationship according to IAS 39	5	0	5	0	5
Other financial liabilities	**12,750**	**12,678**	**0**	**72**	**12,997**
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	6,430	6,430	0	0	6,676
Trade liabilities	5,218	5,218	0	0	5,218
Miscellaneous financial liabilities	1,102	1,030	0	72	1,102
Derivative financial instruments within hedges according to IAS 39	**5**	**0**	**0**	**5**	**5**
Liabilities from finance leases (amount according to IAS 17)	**1,158**	**–**	**–**	**–**	**1,368**
Liabilities not classified according to IFRS 7	**3,186**	**–**	**–**	**–**	**–**

€ million	30/9/2015				
		Combined balance sheet value			
	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**18,725**	**–**	**–**	**–**	**–**
Loans and receivables	**1,728**	**1,728**	**0**	**0**	**1,727**
Loans and advance credit granted	411	411	0	0	410
Receivables due from suppliers	577	577	0	0	577
Trade receivables	434	434	0	0	434
Miscellaneous financial assets	305	305	0	0	305
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**32**	**0**	**32**	**0**	**32**
Derivative financial instruments not in a hedging relationship according to IAS 39	32	0	32	0	32
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**425**	**8**	**0**	**417**	**–**
Investments	8	8	0	0	–
Securities	417	0	0	417	417
Derivative financial instruments within hedges according to IAS 39	**22**	**0**	**0**	**22**	**22**
Cash and cash equivalents	**3,436**	**3,436**	**0**	**0**	**3,436**
Receivables from finance leases (amount according to IAS 17)	**33**	**–**	**–**	**–**	**46**
Assets not classified according to IFRS 7	**13,050**	**–**	**–**	**–**	**–**
Equity and liabilities	**18,725**	**–**	**–**	**–**	**–**
Held for trading	**19**	**0**	**19**	**0**	**19**
Derivative financial instruments not in a hedging relationship according to IAS 39	19	0	19	0	19
Other financial liabilities	**12,633**	**12,512**	**20**	**101**	**12,754**
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	6,481	6,481	0	0	6,601
Trade liabilities	5,011	5,011	0	0	5,011
Miscellaneous financial liabilities	1,142	1,021	20	101	1,142
Derivative financial instruments within hedges according to IAS 39	**5**	**0**	**0**	**5**	**5**
Liabilities from finance leases (amount according to IAS 17)	**1,194**	**–**	**–**	**–**	**1,496**
Liabilities not classified according to IFRS 7	**4,873**	**–**	**–**	**–**	**–**

€ million	30/9/2016 Carrying amount	Combined balance sheet value (Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**15,992**	**–**	**–**	**–**	**–**
Loans and receivables	**1,473**	**1,473**	**0**	**0**	**1,473**
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
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**7**	**0**	**7**	**0**	**7**
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0	7
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**23**	**22**	**0**	**2**	**–**
Investments	22	22	0	0	–
Securities	2	0	0	2	2
Derivative financial instruments within hedges according to IAS 39	**2**	**0**	**0**	**2**	**2**
Cash and cash equivalents	**1,599**	**1,599**	**0**	**0**	**1,599**
Receivables from finance leases (amount according to IAS 17)	**32**	**–**	**–**	**–**	**46**
Assets not classified according to IFRS 7	**12,856**	**–**	**–**	**–**	**–**
Equity and liabilities	**15,992**	**–**	**–**	**–**	**–**
Held for trading	**11**	**0**	**11**	**0**	**11**
Derivative financial instruments not in a hedging relationship according to IAS 39	11	0	11	0	11
Other financial liabilities	**9,640**	**9,608**	**9**	**22**	**9,790**
Borrowings 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	1,241	1,210	9	22	1,242
Derivative financial instruments within hedges according to IAS 39	**4**	**0**	**0**	**4**	**4**
Liabilities from finance leases (amount according to IAS 17)	**1,234**	**–**	**–**	**–**	**1,559**
Liabilities not classified according to IFRS 7	**5,104**	**–**	**–**	**–**	**–**

Classes were formed based on similar risks for the respective financial instruments and correspond to the categories of IAS 39. The table above provides a more detailed breakdown of individual financial assets and liabilities. For individual additional disclosures the classes of the respective disclosure were aggregated to homogenous classes. 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 three 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 €22 million (30/9/2015: €8 million; 30/9/2014: €13 million; 1/10/2013: €264 million), €22 million (30/9/2015: €8 million; 30/9/2014: €13 million; 1/10/2013: €11 million) are recognised at historical cost because 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.

Exchange-listed investments are recognised at fair value outside of profit or loss. The value of €253 million as of 1 October 2013 concerns the investment in Booker Group PLC that was disposed of in financial year 2013/14.

In addition, securities totalling €2 million (30/9/2015: €417 million; 30/9/2014: €1 million; 1/10/2013: €1 million) are recognised outside of profit or loss. This primarily concerns highly liquid exchange-listed money market funds.

Other financial liabilities include liabilities from commitments from stock tender rights of non-controlling interests in the amount of €22 million (30/9/2015: €101 million; 30/9/2014: €72 million; 1/10/2013: €78 million) and earn-out liabilities (contingent consideration in the context of corporate acquisitions) in the amount of €9 million (30/9/2015: €20 million; 30/9/2014: €0 million; 1/10/2013: €0 million). Of this amount, €22 million (30/9/2015: €101 million; 30/9/2014: €72 million; 1/10/2013: €78 million) is recognised at fair value outside of profit or loss and €9 million (30/9/2015: €20 million; 30/9/2014: €0 million; 1/10/2013: €0 million) is recognised at fair value through profit or loss.

The following table depicts the financial instruments that are recognised at fair value in the combined balance sheet. These are classified into a three-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:

	1/10/2013				30/9/2014			
€ million	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets	**272**	**254**	**18**	**0**	**50**	**1**	**49**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	18	0	18	0	26	0	26	0
Available for sale								
Investments	253	253	0	0	0	0	0	0
Securities	1	1	0	0	1	1	0	0
Derivative financial instruments within hedges according to IAS 39	**0**	**0**	**0**	**0**	**23**	**0**	**23**	**0**
Equity and liabilities	**105**	**0**	**27**	**78**	**81**	**0**	**9**	**72**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0	5	0	5	0
Miscellaneous financial liabilities	0	0	0	0	0	0	0	0
Other financial liabilities								
Miscellaneous financial liabilities	78	0	0	78	72	0	0	72
Derivative financial instruments within hedges according to IAS 39	**20**	**0**	**20**	**0**	**5**	**0**	**5**	**0**
	167	254	-9	-78	-31	1	40	-72

€ million	30/9/2015 Total	Level 1	Level 2	Level 3	30/9/2016 Total	Level 1	Level 2	Level 3
Assets	**470**	**417**	**54**	**0**	**10**	**2**	**9**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	32	0	32	0	7	0	7	0
Available for sale								
Investments	0	0	0	0	0	0	0	0
Securities	417	417	0	0	2	2	0	0
Derivative financial instruments within hedges according to IAS 39	**22**	**0**	**22**	**0**	**2**	**0**	**2**	**0**
Equity and liabilities	**145**	**0**	**24**	**121**	**46**	**0**	**15**	**31**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	19	0	19	0	11	0	11	0
Miscellaneous financial liabilities	0	0	0	0	0	0	0	0
Other financial liabilities								
Miscellaneous financial liabilities	121	0	0	121	31	0	0	31
Derivative financial instruments within hedges according to IAS 39	**5**	**0**	**5**	**0**	**4**	**0**	**4**	**0**
	325	417	29	-121	-35	2	-6	-31

The measurement of securities (level 1) is carried out based on quoted market prices on 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.

As of 1 October 2013, the fair value of commodity derivatives (level 2) was calculated as the average of the past month's price noted on the exchange.

No transfers between levels 1 and 2 were effected during the reporting periods.

The level 3 measurements on the liabilities side include liabilities from put options of non-controlling interests and earn-out liabilities. The fair value measurement depends on the respective contract details and is carried out using the discounted cash flow method or based on current purchase price offers.

The fair values of liabilities from put options and earn-out liabilities, which are determined using the discounted cash flow method, are based on expected future cash flows over a detailed planning period of up to eleven years (30/9/2015: up to three years) plus a perpetuity.

The assumed growth rate for the perpetuity is 1.0 per cent (30/9/2015: 1.0 per cent; 30/9/2014: 2.5 to 8.7 per cent; 1/10/2013: 4.1 to 7.7 per cent). In principle, the respective weighted average cost of capital (WACC) is used as the discount rate. In the reporting period, these cost of capital rates ranged from 5.6 per cent to 13.9 per cent (30/9/2015: 5.6 to 8.7 per cent; 30/9/2014: 11.6 to 15.2 per cent; 1/10/2013: 11.1 to 15.8 per cent). If individual interest rates were to increase by 10 per cent, the fair value of these liabilities would decline by €1 million (30/9/2015: €1 million; 30/9/2014: €6 million; 1/10/2013: €9 million). An interest rate decrease of 10 per cent would increase the fair value of these liabilities by €1 million (30/9/2015: €2 million; 30/9/2014: €8 million; 1/10/2013: €13 million).

Changes in the value of put options of non-controlling shareholders and earn-out liabilities developed as follows over the last three reporting periods:

€ million	2013/14	2014/15	2015/16
As of 1/10	**78**	**72**	**121**
Transfer to level 3	0	0	0
Transfer from level 3	0	0	0
Total gains (–) or losses (+) for the period	1	4	6
Combined profit or loss for the period	(0)	(0)	(0)
Combined other comprehensive income	(1)	(4)	(6)
Goodwill	-7	21	3
Other changes in value outside of profit or loss	0	24	-99
As of 30/9	**72**	**121**	**31**

The changes described above include transaction-related changes totalling €-91 million (2014/15: €24 million; 2013/14: €0 million). Of these, the granting of new rights accounted for €8 million (2014/15: €24 million; component of other changes in value outside of profit or loss), which are shown in other comprehensive income at €5 million and in goodwill at €3 million. Redemptions of existing rights account for €-99 million. This amount is included in other changes in value outside of profit or loss.

The changes in value of the put options of non-controlling shareholders and earn-out liabilities existing as of 30 September 2016 are reflected in other comprehensive income at €6 million and in goodwill at €3 million.

Since no put options of non-controlling shareholders or earn-out liabilities were redeemed in financial years 2014/15 and 2013/14, the changes in rights existing as of the closing dates 30 September 2015 and 30 September 2014 do not correspond to the developments described above.

Financial instruments that are recognised at amortised cost in the combined balance sheet, but for which the fair value is stated in these notes, are also classified according to a three-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 curves as of the closing date (level 2).

Other notes

41. Notes to the combined cash flow statement

In accordance with IAS 7 (Statement of Cash Flows), the combined cash flow statement describes changes in the group's cash and cash equivalents through cash inflows and outflows during financial years 2015/16, 2014/15 and 2013/14.

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 three months.

The combined cash flow statement distinguishes between changes in cash levels from operating, investing and financing activities.

In financial year 2015/16, net cash provided by operating activities amounted to €1,173 million (2014/15: €1,252 million; 2013/14: €1,124 million). Depreciation/amortisation/impairment losses

concern property, plant and equipment at €605 million (2014/15: €626 million; 2013/14: €669 million), goodwill at €0 million (2014/15: €12 million; 2013/14: €0 million), other intangible assets at €88 million (2014/15: €80 million; 2013/14: €78 million) and investment properties at €16 million (2014/15: €43 million; 2013/14: €17 million). An opposite effect was produced by reversals of impairment losses in the amount of €11 million (2014/15: €14 million; 2013/14: €10 million).

The change in net working capital amounts to €-77 million (2014/15: €-47 million; 2013/14: €-108 million) and includes changes in inventories, trade receivables and receivables due from suppliers included in the item other financial and non-financial assets as well as changes in trade liabilities.

The other changes in the context of operating activities in the amount of €-368 million (2014/15: €307 million; 2013/14: €-43 million) include 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 change in financial year 2015/16 primarily relates to the deconsolidation of the Vietnamese wholesale business in the amount of €451 million. The change in financial year 2014/15 primarily relates to adjustments of unrealised currency effects in the amount of €257 million. The change in financial year 2013/14 was due to various individual items.

In financial year 2015/16, investing activities led to cash inflow of €512 million (2014/15: cash outflow of €827 million; 2013/14: cash outflow of €391 million).

In financial year 2015/16, acquisitions of subsidiaries essentially concern the acquisition of the Rungis express group. In financial year 2014/15, this item includes cash outflows of €241 million for the acquisition of the Classic Fine Foods group.

The amount of investments in property, plant and equipment shown as cash outflows differs from the inflows shown in the asset statement 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.

In financial year 2013/14, other investments included cash outflows of €169 million for the acquisition of ten single-property companies that were held for sale. The figure for financial year 2014/15 includes cash outflows of €415 million for short-term financial investments.

In financial year 2015/16, the sale of the Vietnamese wholesale business resulted in cash inflows of €357 million. In financial year 2014/15, cash inflows from disposals of subsidiaries essentially stemmed from the sale of the wholesale activities in Greece. In financial year 2013/14, cash flow from disposals of subsidiaries included cash outflows in connection with the sale of Real's Eastern European business totalling €89 million.

In financial year 2015/16, disposals of fixed assets include repayments of short-term financial investments in the amount of €777 million. Of these, €415 million relate to financial investments made during the previous year while €362 million relate to repayments of CE GROUP.

In financial year 2015/16, cash outflow from financing activities totalled €3,513 million (2014/15: cash inflow of €1,487 million; 2013/14: cash outflow of €729 million). Cash flow from financing activities is impacted by "transactions with METRO GROUP", which include contributions and withdrawals in connection with the carve-out, dividend payouts and transactions such as the sale of the GALERIA Kaufhof group.

There were no restrictions on titles for cash and cash equivalents during the reporting periods.

42. Segment reporting

The segmentation corresponds to MWFS 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 Cash & Carry (in the future: METRO Wholesale)

METRO Cash & Carry operates with its METRO and MAKRO brands in the cash-and-carry sector as well as through the Classic Fine Foods group and the Rungis express group and focuses on three commercial customer groups: Horeca (hotels, restaurants and catering firms), Traders (independent resellers such as kiosk operators, bakers and butchers) and Multispecialists (the remaining customer groups as well as service companies and offices). To reflect the growing food service distribution operations, the METRO Cash & Carry segment will be renamed METRO Wholesale following the legal reorganisation of METRO GROUP.

The three customer groups represent operating segments as the allocation of in-house resources and performance measurement by the so-called Chief Operating Decision Maker (member of the Management Board of METRO AG until the demerger; thereafter, the Management Board of METRO Wholesale & Food Specialist AG) is based on the three clusters. Since the three 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 reporting segments of MWFS GROUP – these three operating segments will be bundled into one reporting segment in spite of their divergent strategic focus (see also the chapter accounting principles and methods used in the combined financial statements).

Real

Real is a hypermarket operator in Germany, where it operates both store-based business 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 (the Management Board of METRO AG until the demerger of METRO GROUP; thereafter, the Management Board of METRO Wholesale & Food Specialist AG) is separately applied to Real.

Others

None of the remaining operations represent separate reportable segments and are bundled under Others.

Aside from the information on the reporting segments listed above, equivalent information is provided on the MWFS GROUP 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 combination group.
- Internal sales represent sales between the group's operating segments.
- Segment EBITDA comprises EBIT before depreciation, amortisation and impairment losses and reversals of impairment losses of property, plant and equipment, goodwill, other intangible assets and investment properties.
- EBIT as the key ratio for segment reporting describes operating earnings for the period before net financial result and income taxes. Rental contracts within the combination group are shown as operating leases in the segments. The properties are leased at market rates. In principle, store-related risks and recoverability risks related to non-current assets are only shown in the segments where they represent risks for MWFS GROUP. In analogy, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in the combined balance sheet.
- Transactions that do not regularly recur are adjusted in EBITDA before special items and EBIT before special items. For explanations and definitions of special items, see the explanations in no. 43 – special items.
- Segment investments include additions (including additions to the combination group) to goodwill, other intangible assets, property, plant and equipment as well as investment properties, except for additions due to the reclassification of "assets held for sale" as non-current assets.

- Long-term segment assets include non-current assets. They do not include mostly financial assets, investments accounted for using the equity method, tax items and assets allocable to discontinued operations.

In principle, transfers between segments are made based on the costs incurred from the perspective of the combination group.

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	2013/14	2014/15	2015/16
EBITDA before special items	**1,957**	**1,771**	**1,791**
Changes in the combination portfolio	4	51	454
Restructuring and efficiency-enhancing measures	-138	-169	-283
Risk provisions	0	-14	0
Other special items	-70	-32	-45
Reported EBITDA	**1,753**	**1,606**	**1,918**

€ million	2013/14	2014/15	2015/16
EBIT before special items	**1,275**	**1,081**	**1,106**
Changes in the combination portfolio	-25	49	454
Restructuring and efficiency-enhancing measures	-168	-201	-296
Risk provisions and impairment losses on goodwill	0	-26	0
Other special items	-83	-42	-45
Reported EBIT	**999**	**860**	**1,219**

The reconciliation from long-term segment assets to assets of the combination group is shown in the following table:

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Segment assets (non-current)	**9,263**	**8,656**	**8,474**	**8,652**
Non-current and current financial assets	396	129	48	89
Investments accounted for using the equity method	132	95	184	183
Cash and cash equivalents	1,506	1,512	3,436	1,599
Deferred tax assets	612	537	583	509
Entitlements to income tax refunds	115	135	84	123
Other entitlements to tax refunds[1]	263	362	276	281
Inventories	3,193	3,224	3,117	3,063
Trade receivables	380	402	434	493
Receivables due from suppliers[1]	565	592	577	562
Receivables in the real estate area[1]	67	52	44	23
Credit card receivables[1]	85	78	72	75
Prepaid expenses and deferred charges[1]	73	85	72	71
Receivables from other financial transactions[1]	504	550	850	102
Assets held for sale[1]	292	467	250	0
Other[2]	243	226	225	168
Assets of the combination group	**17,689**	**17,103**	**18,725**	**15,992**

[1] Included in the balance sheet item other financial and non-financial assets (current)
[2] Included in the balance sheet items other financial and non-financial assets (non-current and current)

43. Special items

Special items in segment reporting include transactions that do not recur on an annual basis such as restructurings or changes to the combination portfolio. Reporting before special items better reflects the company's operating performance from the management's perspective and thus renders the earnings presentation more meaningful.

MWFS GROUP distinguishes between four categories of special items:

- risk provisions and impairment losses on goodwill,
- restructuring and efficiency-enhancing measures,
- changes in the combination portfolio and
- other special items.

Efficiency-enhancing measures essentially concern events related to adjustments in personnel structures or store closures. The category “changes in the combination portfolio” comprises special items that primarily result from the disposal and closure of national subsidiaries. Other special items include, in particular, litigation expenses.

In financial year 2015/16, EBITDA at MWFS GROUP totalled €1,918 million, up €311 million from the previous year’s level (2014/15: €1,606 million; 2013/14: €1,753 million). However, this figure includes positive special items amounting to €127 million (2014/15: expenses of €165 million; 2013/14: expenses of €204 million).

In financial year 2015/16, EBIT totalled €1,219 million, up €358 million from the previous year’s level (2014/15: €860 million; 2013/14: €999 million). This figure includes positive special items totalling €113 million (2014/15: expenses of €221 million; 2013/14: expenses of €275 million). These special items can be broken down into risk provisions and impairment losses on goodwill at €0 million (2014/15: expenses of €26 million; 2013/14: €0 million) and expenses from restructuring and efficiency-enhancing measures of €296 million (2014/15: €201 million; 2013/14: €168 million). They primarily concern planned store closures.

In addition, a positive special effect resulted from changes in the combination portfolio in the amount of €454 million (2014/15: positive special effects of €49 million, 2013/14: expenses of €25 million) as well as other special items (expenses) in the amount of €45 million (2014/15: €42 million; 2013/14: €83 million).

METRO Cash & Carry (in the future: METRO Wholesale)

In financial year 2015/16, EBITDA of METRO Cash & Carry totalled €1,700 million (2014/15: €1,455 million; 2013/14: €1,460 million). This figure includes positive special items totalling €236 million (2014/15: expenses of €7 million; 2013/14: expenses of €86 million).

In the reporting period, EBIT totalled €1,271 million (2014/15: €1,013 million; 2013/14: €999 million). This figure includes positive special items totalling €222 million (2014/15: expenses of €48 million; 2013/14: expenses of €133 million).

In financial year 2015/16, special items from portfolio changes primarily concern income from the disposal of the activities in Vietnam in the amount of €446 million as well as expenses for restructuring and efficiency-enhancing measures related to store closures. In financial year 2014/15, this primarily relates to restructuring and efficiency-enhancing measures, among others at METRO Cash & Carry Germany. The figure for financial year 2013/14 essentially stems from portfolio measures and restructuring expenses as well as expenses for store closures, which are spread across a large number of individual measures. These are primarily related to the withdrawal from the Danish market as well as restructurings in Belgium and the Netherlands.

Real

In financial year 2015/16, Real’s EBITDA totalled €250 million (2014/15: €142 million; 2013/14: €175 million). This figure includes positive special items totalling €3 million (2014/15: expenses of €80 million; 2013/14: expenses of €43 million).

In the reporting period, EBIT totalled €108 million (2014/15: €10 million; 2013/14: €28 million). This figure includes positive special items totalling €3 million (2014/15: expenses of €83 million; 2013/14: expenses of €62 million). Special items in EBIT in financial years 2014/15 and 2013/14 were largely related to store closures.

Others

EBITDA in the Others segment amounted to €-23 million in financial year 2015/16 (2014/15: €20 million; 2013/14: €119 million). This figure includes special items (expenses) totalling €112 million (2014/15: €77 million; 2013/14: €79 million).

EBIT totalled €-156 million (2014/15: €-155 million; 2013/14: €-32 million). Special items (expenses) amounted to €112 million (2014/15: €89 million; 2013/14: €85 million) and primarily relate to one-time expenses in connection with the demerger of METRO GROUP and restructuring measures at METRO AG and in the logistics area.

Special items in financial year 2014/15 related to one-time expenses in connection with the realignment of logistics structures in Germany; in financial year 2013/14, they essentially concerned risk provisions for legal disputes.

44. Management of financial risks

In financial years 2015/16, 2014/15 and 2013/14 presented here, METRO Wholesale & Food Specialist AG was not yet the holding company of MWFS GROUP. The treasury department of METRO AG managed MWFS GROUP's financial risks during the reporting periods. These include, in particular:

— price risks,

— liquidity risks,

— creditworthiness risks and

— cash flow risks.

Following the implementation of the legal reorganisation of METRO GROUP, MWFS GROUP's financial risks will be managed by the treasury department of METRO Wholesale & Food Specialist AG in the future. In the process, the treasury department of METRO Wholesale & Food Specialist AG will adopt the principles of METRO GROUP's internal treasury guidelines.

Price risks

For MWFS GROUP, 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.

MWFS GROUP'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 respective actual balance as of the closing date and reflects the impact for one 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 net interest result in the sensitivity analysis. Due to the low level of interest rates in financial years 2015/16, 2014/15 and 2013/14, the sensitivity for a change by 10 basis points was calculated.

— Primary fixed-interest financial instruments generally are not recognised in net 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 MWFS GROUP that result from a fair value hedge are recognised in net 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 other financial result and, through resulting interest flows, in net interest result.

As of the respective closing dates, MWFS GROUP'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 €1,339 million (30/9/2015: €2,104 million; 30/9/2014: €-199 million; 1/10/2013: €619 million).

Given this total balance, an interest rate rise of 10 basis points would result in a higher income of €1 million (2014/15: €2 million; 2013/14: €0 million; 2012/13: €1 million) per year reported in the interest result. An interest rate decrease of 10 basis points would have the opposite effect of €–1 million (2014/15: €-2 million; 2013/14: €0 million; 2012/13: €-1 million).

MWFS GROUP 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 price of another currency. In accordance with the combination 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. Forex futures as well as interest rate swaps and currency swaps are used to limit currency risks.

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 amount and result, the total effect presented by the sensitivity analysis relates to the amounts of foreign currency held within the combined subsidiaries of METRO Wholesale & Food Specialist AG 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 combined income statement. In the case of net investments in a foreign operation, the effects of the closing date measurement are recognised in equity or net assets (combined 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 combined 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 combined financial statements, foreign currency 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 MWFS GROUP do not affect cash flows in local currency and are therefore not part of the sensitivity analysis.

As of the closing date, MWFS GROUP's remaining currency risk was as follows:

			Impact of devaluation/revaluation of euro by 10 per cent						
€ million	**Currency pair**	**Volume**	**1/10/2013**	**Volume**	**30/9/2014**	**Volume**	**30/9/2015**	**Volume**	**30/9/2016**
Combined profit or loss for the period			**+/-**		**+/-**		**+/-**		**+/-**
	CHF / EUR	0	0	+20	2	+21	2	+25	2
	CNY / EUR	+44	4	+53	5	+33	3	+38	4
	CZK / EUR	+131	13	+110	11	+65	7	-7	-1
	EGP / EUR	+52	5	+28	3	+30	3	+31	3
	GBP / EUR	0	0	0	0	0	0	-9	-1
	HKD / EUR	0	0	0	0	0	0	-13	-1
	HUF / EUR	-2	0	-7	-1	-9	-1	-1	0
	JPY / EUR	0	0	0	0	0	0	-10	-1
	KZT / EUR	+228	23	+137	14	+138	14	+13	1
	MDL / EUR	+38	4	+36	4	+35	4	+38	4
	PLN / EUR	+100	10	-2	0	-7	-1	+8	1
	RON / EUR	+85	9	+78	8	+70	7	+35	4
	RSD / EUR	+27	3	+24	2	+30	3	+14	1
	RUB / EUR	+78	8	-32	-3	-34	-3	-8	-1
	TRY / EUR	+41	4	0	0	-7	-1	+4	0
	UAH / EUR	+14	1	+11	1	+33	3	+34	3
	USD / EUR	+14	1	+6	1	+10	1	-11	-1
Equity			**+/-**		**+/-**		**+/-**		**+/-**
	CNY / EUR	+54	5	+55	6	+96	9	+18	2
	CZK / EUR	0	0	0	0	0	0	+5	1
	GBP / EUR	+253	25	0	0	0	0	0	0
	KZT / EUR	0	0	+114	11	+137	14	+237	24
	PLN / EUR	+72	7	+73	7	+72	7	+75	8
	RON / EUR	0	0	0	0	0	0	+7	1
	RSD / EUR	0	0	0	0	0	0	+16	2
	RUB / EUR	+120	12	0	0	0	0	+198	20
	UAH / EUR	+242	24	+242	24	+242	24	+242	24
	USD / EUR	+242	24	+262	26	+288	29	+38	4

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 €+20 million (30/9/2015: €+140 million; 30/9/2014: €+133 million; 1/10/2013: €+179 million), a devaluation of the US dollar by 10 per cent would result in positive effects of €2 million in combined profit or loss for the period (2014/15: €14 million; 2013/14: €13 million; 2012/13: €18 million). Conversely, a revaluation of the US dollar would have negative effects of €2 million (2014/15: €14 million; 2013/14: €13 million; 2012/13: €18 million).

With a nominal volume of €+20 million, this is largely due to the currency pair CNY/USD, while the amounts as of the previous years' closing dates largely related to the currency pair VND/USD (30/9/2015: €+161 million; 30/9/2014: €+148 million; 1/10/2013: €166 million).

Price risks related to equity instruments result from holdings in other companies. In the event of a value gain of 10 per cent, the measurement of these holdings with a carrying amount of €0 million (30/9/2015: €0 million; 30/9/2014: €0 million; 1/10/2013: €253 million) would result in an increase in equity or net assets by €0 million (2014/15: €0 million; 2013/14: €0 million; 2012/13: €25 million). An impairment would result in a decrease in equity of €0 million (2014/15: €0 million; 2013/14: €0 million; 2012/13: €25 million).

Interest rate and currency risks are substantially reduced and limited by the principles laid down in the internal treasury guidelines. These include a regulation that is applicable

throughout the combination group whereby all hedging operations must adhere to predefined limits and may by no means lead to increased risk exposure. MWFS GROUP 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:

	1/10/2013			30/9/2014			30/9/2015			30/9/2016		
		Fair values			Fair values			Fair values			Fair values	
€ million	**Nominal volume**	**Financial assets**	**Financial liabilities**	**Nominal volume**	**Financial assets**	**Financial liabilities**	**Nominal volume**	**Financial assets**	**Financial liabilities**	**Nominal volume**	**Financial assets**	**Financial liabilities**
Interest rate transactions												
Interest rate swaps	126	0	5	0	0	0	0	0	0	0	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(126)	(0)	(5)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof not part of hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
	126	**0**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Currency transactions												
Currency futures/options	-76	17	13	-280	49	5	1	35	24	71	9	15
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(295)	(0)	(7)	(316)	(23)	(0)	(384)	(4)	(5)	(107)	(2)	(4)
thereof not part of hedges	(-371)	(17)	(6)	(-596)	(26)	(4)	(-383)	(32)	(19)	(-36)	(7)	(11)
Interest rate/ currency swaps	184	0	8	187	0	5	206	18	0	0	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(184)	(0)	(8)	(187)	(0)	(5)	(206)	(18)	(0)	(0)	(0)	(0)
thereof not part of hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
	108	**17**	**21**	**-93**	**49**	**9**	**207**	**54**	**24**	**71**	**9**	**15**
Commodity transactions												
Forex futures	2,000 t 114 GWh	2	1	0	0	0	0	0	0	0	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof not part of hedges	2,000 t 114 GWh	(2)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
	–	**18**	**27**	**-93**	**49**	**9**	**207**	**54**	**24**	**71**	**9**	**15**

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. The nominal volume of commodity futures refers to diesel derivatives in metric tonnes (t), which corresponds to about 1,183 litres, and to electricity derivatives in gigawatt hours (GWh).

All fair values represent the theoretical value of these instruments upon dissolution of the transaction at the end of the period. 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 trades are shown in the combined 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 result. Only then will they be recognised in the combined 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 combined income statement. Even if no formal hedging relationship was created, these are hedging transactions that are closely connected to the underlying business and whose impact on earnings will be netted by the underlying transaction (natural hedge).

The currency derivatives are used primarily for Chinese renminbi, Japanese yen, Polish zloty, Romanian leu, Russian rouble, Swiss franc, Czech koruna, Hungarian forint and US dollar.

The derivative financial instruments have the following maturities:

€ million	1/10/2013 fair values			30/9/2014 fair values			30/9/2015 fair values			30/9/2016 fair values		
	Maturities			Maturities			Maturities			Maturities		
	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years
Interest rate transactions												
Interest rate swaps	-5	0	0	0	0	0	0	0	0	0	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(-5)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof not part of hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Currency transactions												
Currency futures/options	4	0	0	44	0	0	11	0	0	-6	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(-7)	(0)	(0)	(22)	(0)	(0)	(-2)	(0)	(0)	(-1)	(0)	(0)
thereof not part of hedges	(11)	(0)	(0)	(22)	(0)	(0)	(12)	(0)	(0)	(-4)	(0)	(0)
Interest rate/currency swaps	0	-8	0	0	-5	0	18	0	0	0	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(0)	(-8)	(0)	(0)	(-5)	(0)	(18)	(0)	(0)	(0)	(0)	(0)
thereof not part of hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Commodity transactions												
Forex futures	0	0	0	0	0	0	0	0	0	0	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
thereof not part of hedges	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)

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 one year.

Liquidity risks

Liquidity risk describes the risk of being unable to procure or provide funding or being able to only procure or provide funding at a higher cost. Liquidity risks may arise, for example, as a result of temporary capital market disruptions, creditor defaults, insufficient credit facilities or the absence of budgeted payment flows. In the reporting periods, METRO AG acts as financial coordinator for MWFS GROUP 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. MWFS GROUP 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* and in no. 36 – *borrowings*.

Cash pooling allows the surplus liquidity of individual companies in the combination group to be used to fund other company units internally. This reduces the group's debt volume and thus

its interest expenses. In the reporting periods, cash pooling for the entire MWFS GROUP was managed at the METRO AG level.

In addition, MWFS GROUP will draw on all the financial expertise pooled in the treasury of METRO Wholesale & Food Specialist AG in the future to advise the companies included in the combination group on 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 companies included in the combination group in their negotiations with local banks and financial service providers. This ensures, on the one hand, that the financial resources of MWFS GROUP are optimally employed, and, on the other, that all companies included in the combination group benefit from the strength and credit standing of MWFS GROUP in negotiating their financing terms.

Credit risks

Creditworthiness risks arise from the total or partial loss of a counterparty, for example through bankruptcy or in connection with financial investments and derivative financial instruments with positive market values. MWFS GROUP's maximum default exposure as of the closing date is reflected by the carrying amount of financial assets totalling €3,136 million (30/9/2015: €5,675 million; 30/9/2014: €3,534 million; 1/10/2013: €3,748 million).

For more information about the size of the respective carrying amounts per class, see no. 40 – *carrying amounts and fair values according to measurement categories*.

Cash on hand considered in cash and cash equivalents totalling €65 million (30/9/2015: €54 million; 30/9/2014: €49 million; 1/10/2013: €49 million) is not exposed to any default risk.

In the course of the risk management of financial investments totalling €1,550 million (30/9/2015: €1,588 million; 30/9/2014: €1,416 million; 1/10/2013: €1,377 million) and derivative financial instruments totalling €9 million (30/9/2015: €54 million; 30/9/2014: €49 million; 1/10/2013: €18 million), minimum creditworthiness requirements and maximum exposure limits have been defined for all business partners of MWFS GROUP. 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 MWFS GROUP; compliance is constantly monitored by the treasury systems.

The following table shows a breakdown of counterparties by rating classes:

1/10/2013			**Volume in per cent**					
Rating classes			**Financial investments**					
Grade	**Moody's**	**Standard & Poor's**	**Germany**	**Western Europe excl. Germany**	**Eastern Europe**	**Asia and others**	**Derivatives with positive market values**	**Total**
Investment grade	Aaa	AAA	0.0	0.0	0.0	0.0	0.0	98.7
	Aa1 to Aa3	AA+ to AA-	0.2	0.2	2.7	1.3	0.1	
	A1 to A3	A+ to A-	29.6	32.1	3.7	9.6	0.9	
	Baa1 to Baa3	BBB+ to BBB-	15.0	2.0	0.6	0.7	0.0	
Non-investment grade	Ba1 to Ba3	BB+ to BB-	0.0	0.2	1.0	0.0	0.0	1.3
	B1 to B3	B+ to B-	0.0	0.0	0.0	0.1	0.0	
	C	C	0.0	0.0	0.0	0.0	0.0	
No rating			0.0	0.0	0.0	0.0	0.0	0.0
			44.8	**34.5**	**8.0**	**11.7**	**1.0**	**100.0**

30/9/2014			Volume in per cent					
Rating classes			Financial investments					
Grade	Moody's	Standard & Poor's	Germany	Western Europe excl. Germany	Eastern Europe	Asia and others	Derivatives with positive market values	Total
Investment grade	Aaa	AAA	0.0	0.0	0.0	0.0	0.0	91.7
	Aa1 to Aa3	AA+ to AA-	0.2	1.1	0.2	1.3	0.3	
	A1 to A3	A+ to A-	20.5	29.2	4.5	10.7	0.9	
	Baa1 to Baa3	BBB+ to BBB-	9.1	7.7	5.5	0.5	0.0	
Non-investment grade	Ba1 to Ba3	BB+ to BB-	0.3	4.2	0.1	0.0	0.0	
	B1 to B3	B+ to B-	0.0	2.0	0.0	0.0	0.0	
	Caa to C	CCC to C	0.0	0.0	0.1	0.0	0.0	6.7
No rating			0.0	1.6	0.0	0.0	0.0	1.6
			30.1	**45.8**	**10.4**	**12.5**	**1.2**	**100.0**

30/9/2015			Volume in per cent					
Rating classes			Financial investments					
Grade	Moody's	Standard & Poor's	Germany	Western Europe excl. Germany	Eastern Europe	Asia and others	Derivatives with positive market values	Total
Investment grade	Aaa	AAA	0.0	0.0	0.0	0.0	0.0	98.3
	Aa1 to Aa3	AA+ to AA-	0.3	0.1	0.3	2.1	0.0	
	A1 to A3	A+ to A-	1.0	36.4	2.8	18.7	0.6	
	Baa1 to Baa3	BBB+ to BBB-	13.8	9.2	8.4	2.0	2.5	
Non-investment grade	Ba1 to Ba3	BB+ to BB-	0.6	0.1	0.4	0.0	0.0	
	B1 to B3	B+ to B-	0.2	0.0	0.0	0.1	0.0	
	Caa to C	CCC to C	0.0	0.0	0.0	0.0	0.0	1.4
No rating			0.0	0.0	0.0	0.3	0.0	0.3
			15.9	**45.8**	**11.9**	**23.2**	**3.1**	**100.0**

30/9/2016			Volume in per cent					
Rating classes			Financial investments					
Grade	Moody's	Standard & Poor's	Germany	Western Europe excl. Germany	Eastern Europe	Asia and others	Derivatives with positive market values	Total
Investment grade	Aaa	AAA	0.0	0.0	0.0	0.0	0.0	98.3
	Aa1 to Aa3	AA+ to AA-	0.1	0.2	1.9	17.3	0.0	
	A1 to A3	A+ to A-	30.4	21.2	2.5	14.7	0.1	
	Baa1 to Baa3	BBB+ to BBB-	0.6	0.8	5.5	2.9	0.1	
Non-investment grade	Ba1 to Ba3	BB+ to BB-	0.1	0.1	1.0	0.0	0.0	1.3
	B1 to B3	B+ to B-	0.0	0.0	0.0	0.1	0.0	
	Caa to C	CCC to C	0.0	0.0	0.0	0.0	0.0	
No rating			0.0	0.1	0.2	0.1	0.0	0.4
			31.2	**22.4**	**11.1**	**35.1**	**0.2**	**100.0**

The table shows that, as of the closing date, about 98 per cent (30/9/2015: 98 per cent; 30/9/2014: 92 per cent; 1/10/2013: 99 per cent) 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. MWFS GROUP also operates in countries where local financial institutions do not have investment grade ratings due to the rating of their country. For country-specific reasons as well as cost and efficiency considerations, cooperation with these institutions is unavoidable. These institutions account for about 2 per cent of the total volume (30/9/2015: 2 per cent; 30/9/2014: 8 per cent; 1/10/2013: 1 per cent).

To manage creditworthiness risks related to long-term derivatives, METRO AG had concluded Credit Support Annexes (CSA) with banks which expired during the last financial year. As of

30 September 2015, MWFS GROUP's balance sheet item borrowings includes liabilities from these contracts in the amount of €20 million (30/9/2014: receivables of €5 million in the balance sheet item other financial and non-financial assets; 1/10/2013: receivables of €10 million in the balance sheet item other financial and non-financial assets). The amount of the coverage payment depends on the market values and covers the payment obligations of these interest rate/currency swaps.

MWFS GROUP'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.

45. Contingent liabilities

€ million	1/10/2013	30/9/2014	30/9/2015	30/9/2016
Liabilities from suretyships and guarantees	16	17	13	17
Liabilities from guarantee and warranty contracts	88	73	57	52
	104	**89**	**70**	**69**

Liabilities from guarantee and warranty contracts are primarily rent guarantees with terms of up to ten years if utilisation is not considered entirely unlikely.

46. Other financial commitments

As of 30 September 2016, the nominal value of other financial commitments amounted to €309 million (30/9/2015: €340 million; 30/9/2014: €370 million; 1/10/2013: €363 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*.

47. Remaining legal issues

Investigations by the Federal Cartel Office

Beginning in 2010, the Federal Cartel Office conducted an investigation into the procurement activities of the former MGB METRO Group Buying GmbH as well as various MWFS GROUP companies. The authority stopped one proceeding without imposition of measures. The other three proceedings were settled out of court and by mutual agreement with the authority.

International tax audit

In 2011, income tax arrears in the double-digit millions were incurred at a foreign subsidiary of MWFS GROUP in connection with a tax audit dating back to 2006. The company was involved in a legal dispute regarding the legality of the tax assessment note. On 6 April 2016, a supreme court ruling was taken in favour of our group company. As a result, the claims for recourse asserted against the consultant will have largely been settled once the wrongly imposed taxes have been repaid.

Claims for damages due to interbank fees in violation of antitrust law

MWFS GROUP companies have filed a lawsuit in a London court against companies of Mastercard. The legal challenge asserts claims for damages based on a decision of the EU Commission which found that the cross-border interbank fees imposed by Mastercard in the period 1992 to 2007 as part of its credit card system, which also impacted national interbank fees, violated European antitrust law. Traditionally, retailers' banks charge interbank fees to retailers as part of retail fees.

Further remaining legal issues

In addition, companies of the combination group are parties to other judicial or arbitral 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 companies of the combination group are increasingly exposed to regulatory changes related to procurement and changed sales tax regulations in some countries.

48. Events after the closing date

Between the closing date 30 September 2016 and the preparation of the combined financial statements (6 December 2016), the following events of material importance to an assessment of the asset, financial and earnings position of METRO AG and MWFS GROUP occurred:

Implementation of the legal reorganisation to achieve the target structure of MWFS GROUP

In the context of the legal reorganisation of METRO GROUP, several legal restructuring measures are required to achieve the target structure of MWFS GROUP. A summary explanation of these measures is provided in the chapter accounting principles and methods used in the combined financial statements. More detailed explanations are provided in no. 49 – notes on related parties. The legal transactions executed since the closing date, 30 September 2016, are also described in no. 49 – notes on related parties.

CE GROUP will receive a loan from MWFS GROUP in financial year 2015/16 that is expected to amount to €40 million.

Strategic repositioning of Real

In mid-October 2016, Real issued a press release announcing detailed plans for a strategic repositioning of the sales line. In this context, the sales line's administrative functions will be reorganised and restructured, with the central functions set to be bundled at the Düsseldorf location in the near future. As part of the reorganisation, up to 500 full-time jobs will be cut over a period of 18 months. Real has projected restructuring expenses in the middle double-digit millions. The introduction of the new hybrid store concept, which will entail a significant increase in service quality, is expected to lead to the creation of up to 3,000 new jobs over the next five years.

Capital decrease of METRO Wholesale & Food Specialist AG

On 16 November 2016, a resolution was adopted to reduce the capital stock of METRO Wholesale & Food Specialist AG by means of an ordinary capital decrease (Sections 222 et seq. of the German Stock Corporation Act) from €205 million by €172 million to €33 million. The capital decrease was implemented through a corresponding reduction in the arithmetic share of the individual no-par-value shares in the capital stock. A reverse stock split was not effected. The capital decrease was implemented to achieve the arithmetic share in the capital stock of €1 per no-par-value share that is customary for exchange-listed companies. Following the demerger of METRO GROUP, the company is set to serve as the holding company of MWFS GROUP.

49. Notes on related parties

Other METRO GROUP companies

MWFS GROUP maintains business relationships with CE GROUP companies and maintained business relationships with companies of the GALERIA Kaufhof group. For the purpose of these combined financial statements, the CE GROUP companies are considered related parties to MWFS GROUP as they were controlled by METRO AG during the reporting period. For the purpose of these combined financial statements, the companies of the GALERIA Kaufhof group are considered related parties to MWFS GROUP as they were controlled by METRO AG until 30 September 2015. Transactions with associates recognised at equity of CE GROUP and

the GALERIA Kaufhof group (until 30 September 2015) and their subsidiaries, joint ventures and investments recognised at fair value are shown as transactions with other related parties. All in all, their share in the transactions described in the following is of minor significance.

Transactions of MWFS GROUP with associates recognised at equity as well as their subsidiaries and joint ventures are reported separately.

As a rule, transactions with other METRO GROUP companies are recognised on the basis of costs incurred from the METRO GROUP perspective.

In financial years 2015/16, 2014/15 and 2013/14, the following transactions with related parties took place:

Transactions in the context of the legal reorganisation of MWFS GROUP

In the context of the legal reorganisation of METRO GROUP, several legal restructuring measures with respect to existing shareholdings are required to achieve MWFS GROUP's target structure. The major transactions that will be carried out in the context of these restructuring measures are described in the following. Of these, steps (1) to (4) were implemented by 30 September 2016; step (5) was implemented by the time these combined financial statements were prepared. Conversely, steps (6) and (7) had yet to be implemented by the time the combined financial statements were prepared.

(1) Preparatory measures

- METRO Intellectual Property KG (MIP KG) has been transformed into a so-called trust company.

(2) Acquisition and asset position of METRO Wholesale & Food Specialist AG

- METRO AG established METRO Consumer Electronics Zwischenholding GmbH & Co. KG (ZH KG), METRO AG being the only limited partner.
- METRO AG acquired METRO Wholesale & Food Specialist AG at its current market value from METRO Groß- und Lebensmitteleinzelhandel Holding GmbH (MGLEH).
- METRO AG transferred 92.9 per cent in METRO PROPERTIES GmbH & Co. KG (MP KG) to METRO Wholesale & Food Specialist AG by means of an asset contribution.
- With respect to METRO AG's remaining 6.61 per cent stake in MP KG, METRO AG and METRO Wholesale & Food Specialist AG concluded an option agreement providing for a possible future sale of this remaining stake to METRO Wholesale & Food Specialist AG under certain time restrictions.
- The company's management notified the Commercial Register at the District Court in Düsseldorf of the reestablishment (wirtschaftliche Neugründung) of METRO Wholesale & Food Specialist AG.
- METRO AG contributed the shares in METRO Wholesale & Food Specialist AG to ZH KG in return for the granting of new shares (increase in the limited partner's interest).
- ZH KG withdrew an amount of €450 million from the uncommitted capital reserve (§ 272 Section 2 No. 4 of the German Commercial Code (HGB)) of METRO Wholesale & Food Specialist AG. The drawdown receivable was transformed into a loan that currently exists between METRO AG as lender and METRO Wholesale & Food Specialist AG as borrower.

(3) Identification of the economic activities of METRO AG that are to be allocated to the MWFS or CE divisions for the planned hive-down and spin-off

(4) Disposal of investments to METRO Wholesale & Food Specialist AG

- All companies of the METRO Cash & Carry and Real sales lines have been bundled at METRO Wholesale & Food Specialist AG by means of the sale of all investments of MGLEH to METRO Wholesale & Food Specialist AG (partly indirectly through the disposal of a subsidiary).

- The indirect 6 per cent stake of METRO AG in METRO Cash & Carry International Holding GmbH was not transferred; this investment is to be transferred to METRO Wholesale & Food Specialist AG as part of the hive-down.

(5) Change of legal form (11 November 2016) of METRO Wholesale & Food Specialist GmbH to METRO Wholesale & Food Specialist AG as well as regular capital reduction to €33 million (16 November 2016)

(6) Hive-down of the MWFS division from METRO AG into METRO Wholesale & Food Specialist AG in its new legal form in return for the granting of ordinary and preference shares to METRO AG

(7) Spin-off of METRO AG's 100 per cent investment in MGLEH, among others, to METRO Wholesale & Food Specialist AG in return for the granting of ordinary and preference shares to the shareholders of METRO AG

Goods and services activities as well as financing activities

The relationships with related parties described in the combined financial statements are – or were, as far as the GALERIA Kaufhof group is concerned – characterised by group-wide procurement and sales activities, centralised administrative and service functions as well as the centralised financing function of METRO Finance B. V. These relationships result or resulted in comprehensive mutual obligations and intra-group transactions.

€ million	1/10/2013	2013/1430/9/2014	2014/1530/9/2015	2015/1630/9/2016
Income	**0**	**357**	**305**	**92**
CE GROUP	0	123	115	92
GALERIA Kaufhof group	0	217	190	0
Associates	0	16	0	0
Other related parties	0	1	0	0
Expenses	**0**	**109**	**116**	**105**
CE GROUP	0	19	18	16
GALERIA Kaufhof group	0	19	18	0
Associates	0	59	65	74
Other related parties	0	12	15	15
Receivables	**659**	**607**	**371**	**5**
CE GROUP	254	393	371	5
GALERIA Kaufhof group	405	214	0	0
Associates	0	0	0	0
Other related parties	0	0	0	0
Liabilities	**374**	**896**	**366**	**225**
CE GROUP	5	527	363	224
GALERIA Kaufhof group	367	365	0	0
Associates	0	2	1	0
Other related parties	2	2	2	1

Income from services rendered to CE GROUP comprise industry compensation for logistics services that were transferred from the Media-Saturn group to METRO GROUP (pass-through item).

Transactions with CE GROUP companies

In financial years 2015/16, 2014/15 and 2013/14, income, expenses, receivables and liabilities from rendered and received services of MWFS GROUP with CE GROUP companies can be broken down as follows:

Services rendered to related parties of CE GROUP essentially comprise income from sourcing synergies and rental income. Income from sourcing synergies of €63 million (2014/15: €62 million; 2013/14: €64 million) is recorded in the combined financial statements. Rental income amounted to €19 million in financial year 2015/16 (2014/15: €20 million; 2013/14:

€23 million). This concerns rental services by German real estate companies rendered to German CE GROUP companies as well as rental services rendered to CE GROUP companies based in Poland and Turkey, in particular, at approximately 40 per cent. In addition, rendered services include income from services at €9 million in financial year 2015/16 (2014/15: €17 million; 2013/14: €22 million).

Services received from CE GROUP companies essentially concerned expenses for procurement logistics.

As of 30 September 2016, open receivables from services provided to CE GROUP amounted to €5 million (30/9/2015: €371 million; 30/9/2014: €393 million; 1/10/2013: €254 million). These mostly comprise loans of METRO Finance B. V. As of 30 September 2016, liabilities towards CE GROUP amounted to €224 million (30/9/2015: €363 million; 30/9/2014: €527 million; 1/10/2013: €5 million), which primarily resulted from the provision of initial cash resources to CE GROUP agreed in the demerger agreement as of 30 September 2016. For more information, see the explanations in no. 31 – *equity*.

Transactions with companies of the GALERIA Kaufhof group

On 30 September 2015, the GALERIA Kaufhof group was sold to Hudson's Bay Company. Until the date of the sale, the companies of the GALERIA Kaufhof group are considered related parties to MWFS GROUP in the meaning of IAS 24. No reportable affiliations have existed since the sale of the GALERIA Kaufhof group.

In financial years 2014/15 and 2013/14, income, expenses, receivables and liabilities from rendered and received services with companies of the GALERIA Kaufhof group can be broken down as follows:

In financial year 2014/15, services rendered essentially include sales and earnings from the reimbursement of procurement costs in the amount of €163 million (2013/14: €174 million). In financial year 2014/15, rental income from related parties from the GALERIA Kaufhof group amounted to €14 million (2013/14: €16 million). In addition, services rendered in financial year 2014/15 include income of €10 million from sourcing synergies (2013/14: €12 million).

In financial year 2014/15, services received from companies of the GALERIA Kaufhof group included €12 million (2013/14: €14 million) in expenses from the distribution of synergy effects as well as €9 million (2013/14: €11 million) in rental expenses.

As of 30 September 2014, open receivables from services rendered to the GALERIA Kaufhof group amounted to €214 million (1/10/2013: €405 million) and essentially comprised receivables from merchandise procurement and finance lease receivables as well as financial receivables from cash management. Liabilities from services received as of 30 September 2014 totalling €365 million (1/10/2013: €367 million) primarily concern financial liabilities from cash management.

Transactions with associates and other related parties

In financial years 2015/16, 2014/15 and 2013/14, income, expenses, receivables and liabilities from services rendered to and received from associates of the combination group and other related parties can be broken down as follows:

In financial year 2015/16, companies of the combination group received rental services from associates totalling €74 million (2014/15: €65 million; 2013/14: €59 million). These primarily concern lease payments by METRO Cash & Carry France to OPCI FWS. In financial year 2013/14, €16 million of services rendered by companies of the combination group to associates concerned income from the sale of shares in a property company (Objekt Brandenburg) to METRO Unterstützungskasse. The rental services to be received from associates over the coming years are expected to remain at largely the same level and are included in notes on leases in no. 20.

Services received from other related parties primarily relate to hygiene and textile services of the CWS boco group in the amount of €8 million (2014/15: €9 million; 2013/14: €9 million). Rental services from other related parties amounted to €6 million in financial year 2015/16 (2014/15: €6 million; 2013/14: €3 million).

The rental services to be received from related parties over the coming years are expected to remain at largely the same level and are included in notes on leases in no. 20.

Collateral/rent guarantees

MWFS GROUP provided collateral on behalf of companies of the GALERIA Kaufhof group. In financial year 2013/14, contingent liabilities were recognised for the rental guarantees provided by MWFS GROUP in the amount of €33 million (1/10/2013: €37 million). The risk assessment for the rental guarantees was conducted in consideration of the quality of location. As of 30 September 2016, collateral provided on behalf of CE GROUP companies largely concerned loans of Media Markt Turkey in the amount of €0 million (30/9/2015: €30 million; 30/9/2014: €35 million; 1/10/2013: €0 million). There are corresponding warranties of Media-Saturn Holding GmbH for the benefit of MWFS GROUP.

Insurance policies

In financial years 2015/16, 2014/15 and 2013/14, MWFS GROUP was insured under METRO GROUP's group insurance policy. The associated costs were borne by the MWFS GROUP companies. As part of the spin-off, insurance coverage provided by METRO GROUP will, for the largest part, be replaced by separate coverage for MWFS GROUP by the time the demerger is implemented.

Related parties (key management personnel)

IAS 24 requires entities to disclose compensation of key management personnel (members of the management board and of the supervisory board). The expenses that are economically attributable to MWFS GROUP were determined using a headcount-based allocation key and are considered accordingly in the combined income statement. The MWFS GROUP companies do not form a group of companies in the legal sense or a group that must be consolidated pursuant to IFRS 10. MWFS GROUP is managed by the Management Board of METRO AG.

Expenses for short-term compensation of members of the Management Board of METRO AG in financial year 2015/16 calculated in this way amounted to €6.8 million (2014/15: €9.4 million; 2013/14: €4.9 million) for short-term employee benefits and €0.5 million (2014/15: €0.4 million; 2013/14: €0.4 million) for post-employment benefits. The expenses for long-term incentive programmes existing in financial year 2015/16, calculated in accordance with IFRS 2, amounted to €4.9 million (2014/15: €1.6 million; 2013/14: €0.6 million).

The short-term compensation of members of the Supervisory Board of METRO AG for financial year 2015/16, also calculated using the headcount-based allocation key, amounted to €1.5 million (2014/15: €1.2 million; 2013/14: €1.2 million).

Total compensation of key management personnel in financial year 2015/16 amounted to €13.7 million (2014/15: €12.6 million; 2013/14: €7.1 million).

50. Long-term incentive for executives

METRO AG has been implementing long-term incentive programmes since 1999 to enable senior executives to participate in the company's value development and reward their contribution to the sustained success of METRO GROUP compared with its competitors. The members of the Management Board and senior executives of METRO AG as well as managing directors and senior executives of the other operating METRO GROUP companies are eligible.

The tranches of the long-term incentive programmes granted at the date of implementation of the demerger whose performance periods have not yet ended will – except for long-term incentive METRO Cash & Carry – in part be prematurely settled and in part adapted to the new situation at the date of implementation of the demerger. The transfer is to be conducted at the respective target value on a pro rata temporis basis. Since the legal restructuring of METRO GROUP and its demerger, in particular, had not been completed at the time these combined financial statements were prepared, the following is a description of the long-term incentive programmes as they existed during the reporting period.

Long-term incentive METRO Cash & Carry (MCC LTI)

A long-term incentive tailored specifically to the New Operating Model was developed for the METRO Cash & Carry sales line. It replaces the sustainable performance plan version 2014 and was issued to high-level executives and the management of METRO Cash & Carry companies for the first time in financial year 2015/16. This is a cyclical plan that is issued once every three years. The respective performance targets focus on value creation in the individual national subsidiaries 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.

After the end of the 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 per cent each; the remaining 10 per cent are accounted for by the goal achievement rate of the sustainability component. The payout amount is capped and the total goal achievement factor cannot drop below zero. The relevant measure for the past performance and future value components for eligible executives at the national subsidiaries is the performance/value creation of the respective national subsidiary of METRO Cash & Carry. The relevant measure for the other eligible executives is the 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 internal metric EBITDA after special items generated cumulatively over financial years 2015/16 to 2017/18. 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 two decimal points. The goal achievement factor for the past performance component cannot drop below zero and is capped.

The **future value** component mirrors METRO Cash & Carry's external valuation with respect to the expected future performance of the respective national subsidiary and the sales line as a whole from an analyst's perspective. For the purpose of target setting, the enterprise value of the METRO Cash & Carry 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 the performance period. The enterprise value of the national subsidiary is derived from the respective enterprise values of the 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 two decimal points. The goal achievement factor for the future value component cannot drop below zero and is capped.

The performance achievement for the **sustainability component** is determined on the basis of the average rating which METRO AG (or, once the planned demerger has become effective: the Wholesale & Food Specialist entity spun off from METRO AG) is awarded in an external corporate sustainability assessment during the performance period. In each year of the performance period, METRO AG participates in the Corporate Sustainability Assessment conducted by the independent service provider RobecoSAM AG. 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 the performance period. The factor for the sustainability component is determined on the basis of the average during the performance period.

As of 30 September 2016, the target amount for the eligible group of persons was €25 million.

The value of the METRO Cash & Carry long-term incentive plan distributed in financial year 2015/16 was €31 million at the time of granting. It was calculated by external experts using recognised financial-mathematical methods.

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 four tranches up to financial year 2017/18. A three-year performance period applies to the 2014/15 tranche of the sustainable performance plan version 2014; from the 2015/16 tranche onwards, a four-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 two decimal points, for each of the three performance targets. The arithmetic mean of the factors, also rounded to two decimal points, gives the overall goal achievement factor. The payout amount is limited to a maximum of 250 per cent of the target value (payout cap). In case of employment termination, separate rules for the payout of the tranches have been agreed upon.

The sustainable performance plan version 2014 is based on the following three 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 AG 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 AG ordinary share are determined over a period of 40 consecutive trading days immediately following the Annual General Meeting of METRO AG in the grant year. 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 AG ordinary share are determined over a period of 40 consecutive trading days immediately following the Annual General Meeting three years, or, from financial year 2015/16 onwards, four 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 in this way:

— 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 percentage points or more below the index TSR, the factor for the TSR component is 0.0;

— if METRO's TSR is 30 percentage 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 percentage points, the TSR factor for the sustainable performance plan version 2014 is calculated using linear interpolation to two 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 AG during each year of the three- or four-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 three, or, from financial year 2015/16 onwards, four 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 for the first time 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 per cent 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 per cent goal achievement, the factor for the EPS component is 2.0.

In the case of goal achievement with intermediate values and more than 200 per cent, the EPS factor for the sustainable performance plan version 2014 is calculated using linear interpolation to two decimal points.

Sustainable performance plan (2013/14)

After the last tranche of the performance share plan was paid in the short financial year 2013, the first tranche of 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 per cent dependent on the TSR component and 25 per cent 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 per cent of the target amount multiplied by the TSR factor will be made only if the calculated ending price of the METRO AG 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 AG ordinary share is higher than or equivalent to the starting share price for 40 consecutive trading days within a three-year period after the completion of the performance period. Should this condition not be met within the three 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 per cent 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 two 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 zero. The payment cap for the sustainability component amounts to three times the target amount.

The value of the tranche distributed in financial year 2015/16 as part of the sustainable performance plan version 2014 amounted to €21 million at the time of granting and was calculated by external experts using recognised financial-mathematical methods.

Sustainable performance plan/
sustainable performance plan version 2014

Tranche	End of the performance period	Starting price for the TSR component	Target amount as of 30/9/2016
2013/14	41st trading day following the Annual General Meeting three years after the issuance of the tranche	€29.73	€7 million
2014/15	41st trading day following the Annual General Meeting three years after the issuance of the tranche	€ 31.69	€24 million
2015/16	41st trading day following the Annual General Meeting four years after the issuance of the tranche	€25.53	€ 13 million

Performance share plan (2009–2013)

In 2009, METRO AG introduced a performance share plan for a period of five 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 grant, based on the average price of the METRO share during the three months up to the grant date. The key metric in this calculation was the three-month average price of the METRO AG share before the grant date. A performance share entitles its holder to a cash payment in euros matching the price of the METRO AG share on the payment date based on the average price of the METRO AG share during the three months up to the payment date.

Based on the relative performance of the METRO AG 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 three and at most 4.25 years. It corresponds to the target number of shares when an equal performance with said stock indices is achieved. Up to an outperformance of 60 per cent, the number increases linearly to a maximum of 200 per cent of the target amount. Up to an underperformance of 30 per cent, the number is accordingly reduced to a minimum of 50 per cent. In the case of an underperformance of more than 30 per cent, the number is reduced to zero.

Payment can be made at six possible times that are set in advance. The earliest payment date is three years after granting of the performance shares. From this time, payment can be made every three 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 five times the target value.

METRO GROUP 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 a continuous self-financed investment in METRO AG shares up to the end of the three-year vesting period. This ensures that, as shareholders, they will directly participate in share price gains as well as potential losses of the METRO AG share. The required investment volume generally amounts to approximately 50 per cent of the individual target value.

The current tranches of share-based payment programmes resulted in expenses of €26 million (2014/15: €6 million; 2013/14: €2 million).

The related provisions as of 30 September 2016 amounted to €34 million (30/9/2015: €19 million; 30/9/2014: €13 million; 1/10/2013: €11 million).

51. Overview of major companies of the combination group

Aside from the holding company METRO Wholesale & Food Specialist AG, the following major companies are included in the combination group of MWFS GROUP.

Name	Head office	Sales[1] in € million		
		2013/14	2014/15	2015/16
METRO Cash & Carry (in the future: METRO Wholesale)				
METRO Großhandelsgesellschaft mbH	Düsseldorf, Germany	4,821	4,742	4,745
METRO Cash & Carry France S.A.S.	Nanterre, France	4,273	4,150	4,150
METRO Cash & Carry OOO	Moscow, Russia	4,147	3,489	3,042
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	2,244	2,632	2,635
METRO Italia Cash and Carry S. p. A.	San Donato Milanese, Italy	1,718	1,744	1,749
Makro Cash and Carry Polska S.A.	Warsaw, Poland	1,583	1,561	1,461
Makro Autoservicio Mayorista S. A. U.	Madrid, Spain	1,234	1,206	1,228
Metro Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul, Turkey	1,123	1,199	1,181
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	1,093	1,032	1,043
MAKRO Cash & Carry Belgium NV	Wommelgem, Belgium	1,019	998	961
METRO CASH & CARRY ROMANIA SRL	Bucharest, Romania	909	892	911
METRO Distributie Nederland B. V.	Amsterdam, Netherlands	1,004	970	881
Real				
real,- SB-Warenhaus GmbH	Düsseldorf, Germany	7,939	7,743	7,486
Others				
MGB METRO Group Buying HK Limited	Hong Kong, China	40	43	39
METRO LOGISTICS Germany GmbH	Düsseldorf, Germany	5,729	572	0
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	0	0	0
METRO SYSTEMS GmbH	Düsseldorf, Germany	0	0	0
MIAG Commanditaire Vennootschap	Amsterdam, Netherlands	0	0	0

[1] Including consolidated national subsidiaries

52. Companies of the combination group

Aside from METRO Wholesale & Food Specialist AG, the following companies are included in the combination group or reported as investments.

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
Fully consolidated companies						
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Adolf Schaper GmbH & Co. Grundbesitz-KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
AIB Verwaltungs GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Alberto Polo Distribuciones S.A.	Zaragoza	Spain	–	–	–	100.00
ARKON Grundbesitzverwaltung GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ASH Grundstücksverwaltung XXX GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ASSET Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ASSET Köln-Kalk GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ASSET Zweite Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Assevermag AG	Baar	Switzerland	79.20	79.20	79.20	79.20
Avilo Marketing Gesellschaft m. b. H.	Vösendorf	Austria	100.00	100.00	100.00	100.00
BAUGRU Immobilien-Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Beijing Weifa Trading & Commerce Co. Ltd.	Beijing	China	–	–	97.14	100.00
Blabert Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	94.00	94.00	94.00	94.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
Carns Vila S.L.	Cornellà del Terri	Spain	–	–	–	70.00
cc delivery gmbh	Darmstadt	Germany	–	–	–	100.00
CCG DE GmbH	Darmstadt	Germany	–	–	–	100.00
CJSC METRO Management Ukraine	Kiev	Ukraine	100.00	100.00	100.00	100.00
Classic Alimentos (Macau) Limitada	Macau	China	–	–	99.00	99.00
Classic Coffee & Beverage Sdn Bhd	Kuala Lumpur	Malaysia	–	–	100.00	100.00
Classic Fine Foods (Hong Kong) Limited	Hong Kong	China	–	–	100.00	100.00
Classic Fine Foods (Macau) Ltd	Macau	China	–	–	99.80	99.80
Classic Fine Foods (Singapore) Private Limited	Singapore	Singapore	–	–	100.00	100.00
Classic Fine Foods (Thailand) Company Limited	Bangkok	Thailand	–	–	100.00	100.00
Classic Fine Foods (Thailand) Holding Company Limited	Bangkok	Thailand	–	–	49.00	49.00
Classic Fine Foods (Vietnam) Limited	Ho Chi Minh City	Vietnam	–	–	100.00	100.00
Classic Fine Foods China Holdings Limited	Hong Kong	China	–	–	100.00	100.00
Classic Fine Foods China Trading Limited	Hong Kong	China	–	–	100.00	100.00
Classic Fine Foods EM LLC	Abu Dhabi	United Arab Emirates	–	–	50.00	50.00
Classic Fine Foods group Limited	London	Great Britain	–	–	100.00	100.00
Classic Fine Foods Holdings Limited	London	Great Britain	–	–	100.00	100.00
Classic Fine Foods Japan Holdings	Tokyo	Japan	–	–	100.00	100.00
Classic Fine Foods Macau Holding Limited	Hong Kong	China	–	–	80.00	100.00
Classic Fine Foods Netherlands BV	Schiphol	Netherlands	–	–	100.00	100.00
Classic Fine Foods Philippines Inc.	Makati	Philippines	–	–	100.00	100.00
Classic Fine Foods Rungis SAS	Rungis	France	–	–	100.00	100.00
Classic Fine Foods Sdn Bhd	Kuala Lumpur	Malaysia	–	–	100.00	100.00
Classic Fine Foods UK Limited	London	Great Britain	–	–	100.00	100.00
Classic Fine Foodstuff Trading LLC	Abu Dhabi	United Arab Emirates	–	–	49.00	49.00
Comercial Ulzama S.L.	Abanto	Spain	–	–	–	100.00
Concarneau Trading Office SAS	Concarneau	France	100.00	100.00	100.00	100.00
Congelados Romero S.A.	Reus	Spain	–	–	–	90.00
COOL CHAIN GROUP PL Sp.z.oo.	Krakow	Poland	–	–	–	100.00
Culinary Agents France SAS	Nanterre	France	–	–	100.00	100.00
Culinary Agents Italia s.r.l.	San Donato Milanese	Italy	–	–	100.00	100.00
Dalian Metro Warehouse Management Co., Ltd.	Dalian	China	100.00	100.00	100.00	100.00
DAYCONOMY GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Deelnemingsmaatschappij Arodema B.V.	Amsterdam	Netherlands	100.00	100.00	100.00	100.00
Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
DFI Verwaltungs GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Dinghao Foods (Shanghai) Co. Ltd.	Shanghai	China	–	–	100.00	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	0.00	0.00	0.00
Electronics Retail Real Estate Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	–
Fideco AG	Courgevaux	Switzerland	–	–	–	100.00
French F&B (Japan) Co., Ltd.	Tokyo	Japan	–	–	93.83	93.83
Fulltrade International GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH	Düsseldorf	Germany	50.00	50.00	50.00	50.00
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH & Co. Vermietungs – Kommanditgesellschaft	Düsseldorf	Germany	50.00	50.00	50.00	50.00
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Bremen-Vahr KG	Düsseldorf	Germany	94.90	94.90	94.90	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Emden KG	Düsseldorf	Germany	94.90	94.90	94.90	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG	Düsseldorf	Germany	94.90	94.90	94.90	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG	Düsseldorf	Germany	94.90	94.90	94.90	94.90
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhausen KG	Düsseldorf	Germany	–	94.00	94.00	94.00
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG	Düsseldorf	Germany	6.00	6.00	6.00	94.00
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt-KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Arrondierungsgrundstücke KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG	Düsseldorf	Germany	1.00	1.00	94.90	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG	Düsseldorf	Germany	94.00	94.00	94.00	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Finowfurt KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Göttingen KG	Düsseldorf	Germany	–	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Neuwiedenthal KG	Düsseldorf	Germany	100.00	100.00	100.00	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	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG	Düsseldorf	Germany	94.00	94.00	94.00	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hörselgau KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG	Düsseldorf	Germany	–	–	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG	Düsseldorf	Germany	–	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf	Germany	–	94.00	94.00	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Münster-Kinderhaus KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn „Südring Center“ KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG	Düsseldorf	Germany	–	–	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG	Düsseldorf	Germany	94.00	94.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG	Düsseldorf	Germany	–	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wiesbaden-Nordenstadt KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG	Düsseldorf	Germany	94.00	94.00	94.00	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekte Amberg und Landshut KG	Düsseldorf	Germany	–	94.90	94.90	94.90
Goldhand Lebensmittel- u. Verbrauchsgüter-Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf	Germany	100.00	100.00	100.00	100.00
GrandPari Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	100.00
HoReCa Digital GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Horten Nürnberg GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ICS METRO Cash & Carry Moldova S.R.L.	Chisinau	Moldova	100.00	100.00	100.00	100.00
Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf	Germany	–	90.24	90.24	90.24
Inpakcentrale ICN B.V.	Duiven	Netherlands	100.00	100.00	100.00	100.00
Johannes Berg GmbH, Weinkellerei	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Kaufhalle GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Kaufhof Warenhaus Neubrandenburg GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Klassisk Group (S) Pte. Ltd.	Singapore	Singapore	–	–	100.00	100.00
Klassisk Investment Limited	Hong Kong	China	–	–	100.00	96.52
KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf	Germany	94.00	94.00	100.00	100.00
Liqueur & Wine Trade GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
LLC Ukrainian Wholesale Trade Company	Kiev	Ukraine	100.00	100.00	100.00	100.00
Makro Autoservicio Mayorista S. A. U.	Madrid	Spain	100.00	100.00	100.00	100.00
MAKRO Cash & Carry Belgium NV	Wommelgem	Belgium	100.00	100.00	100.00	100.00
MAKRO Cash & Carry CR s.r.o.	Prague	Czech Republic	100.00	100.00	100.00	100.00
Makro Cash & Carry Egypt LLC	Cairo	Egypt	100.00	100.00	100.00	100.00
Makro Cash & Carry Portugal S.A.	Lisbon	Portugal	100.00	100.00	100.00	100.00
Makro Cash & Carry UK Holding Limited	Manchester	Great Britain	100.00	100.00	100.00	100.00
Makro Cash and Carry Polska S.A.	Warsaw	Poland	100.00	100.00	100.00	100.00
Makro Cash and Carry Wholesale S. A.	Athens	Greece	100.00	100.00	–	–
Makro Ltd.	Manchester	Great Britain	100.00	100.00	100.00	100.00
Makro Pension Trustees Ltd.	Manchester	Great Britain	100.00	100.00	100.00	100.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
MAR MENOR DISTRIBUCIONES ALIMENTARIAS, S.L.	San Pedro del Pinatar	Spain	–	–	–	80.00
MCC Boston Trading Office Inc.	Boston	USA	100.00	100.00	100.00	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MCC Trading Deutschland GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MCC Trading International GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MCCI Asia Pte. Ltd.	Singapore	Singapore	100.00	100.00	100.00	100.00
MDH Secundus GmbH & Co. KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Meister feines Fleisch – feine Wurst GmbH	Gäufelden	Germany	100.00	100.00	100.00	100.00
METRO (Changchun) Property Service Co. Ltd.	Changchun	China	100.00	100.00	100.00	100.00
METRO Beteiligungsmanagement Düsseldorf GmbH & Co. KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Cash & Carry Asia Pacific Holding GmbH	Vienna	Austria	100.00	100.00	100.00	100.00
Metro Cash & Carry Brunnthal GmbH & Co. KG	Brunnthal	Germany	100.00	100.00	100.00	–
METRO Cash & Carry Bulgaria EOOD	Sofia	Bulgaria	100.00	100.00	100.00	100.00
METRO Cash & Carry Central Asia Holding GmbH	Vienna	Austria	100.00	100.00	100.00	100.00
METRO Cash & Carry d.o.o.	Zagreb	Croatia	100.00	100.00	100.00	100.00
METRO Cash & Carry d.o.o.	Belgrade	Serbia	100.00	100.00	100.00	100.00
Metro Cash & Carry Danmark ApS	Glostrup	Denmark	100.00	100.00	100.00	100.00
METRO Cash & Carry Deutschland GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Cash & Carry France S.A.S.	Nanterre	France	100.00	100.00	100.00	100.00
Metro Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Cash & Carry Import Limited Liability Company	Noginsk	Russia	100.00	100.00	100.00	100.00
METRO Cash & Carry India Private Limited	Bangalore	India	100.00	100.00	100.00	100.00
METRO Cash & Carry International GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Cash & Carry International Holding B. V.	Amsterdam	Netherlands	100.00	100.00	100.00	100.00
METRO Cash & Carry International Holding GmbH	Vienna	Austria	100.00	100.00	100.00	100.00
METRO Cash & Carry Japan KK	Tokyo	Japan	100.00	100.00	100.00	100.00
Metro Cash & Carry Nederland B.V.	Amsterdam	Netherlands	100.00	100.00	100.00	100.00
METRO Cash & Carry OOO	Moscow	Russia	100.00	100.00	100.00	100.00
METRO Cash & Carry Österreich GmbH	Vösendorf	Austria	73.00	73.00	73.00	73.00
METRO CASH & CARRY ROMANIA SRL	Bucharest	Romania	85.00	85.00	85.00	100.00
METRO Cash & Carry Russia N.V.	Amsterdam	Netherlands	–	100.00	100.00	100.00
METRO Cash & Carry SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00	100.00	100.00	100.00
METRO Cash & Carry TOO	Almaty	Kazakhstan	100.00	100.00	100.00	100.00
METRO Cash & Carry Ukraine Ltd.	Kiev	Ukraine	100.00	100.00	100.00	100.00
METRO Cash & Carry Vietnam Ltd.	Ho Chi Minh City	Vietnam	100.00	100.00	100.00	–
Metro Cash & Carry Wines	Hyderabad	India	99.99	99.99	99.99	99.99
METRO Central East Europe GmbH	Vienna	Austria	100.00	100.00	100.00	100.00
METRO Dienstleistungs-Holding GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Distributie Nederland B. V.	Amsterdam	Netherlands	100.00	100.00	100.00	100.00
METRO DOLOMITI SpA	San Donato Milanese	Italy	100.00	100.00	100.00	100.00
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf	Germany	–	–	100.00	100.00
METRO FIM S.p.A.	Cinisello Balsamo	Italy	100.00	100.00	100.00	100.00
METRO Finance B. V.	Venlo	Netherlands	100.00	100.00	100.00	100.00
Metro Finanzdienstleistungs Pensionen GmbH	Düsseldorf	Germany	–	100.00	100.00	100.00
Metro France Immobiliere S. a. r. l.	Nanterre	France	100.00	100.00	100.00	100.00
METRO FSD Holding GmbH	Düsseldorf	Germany	–	–	–	100.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
Metro Global Business Services Private Limited	Pune	India	100.00	100.00	100.00	100.00
Metro Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul	Turkey	100.00	100.00	100.00	100.00
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Großhandelsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO GROUP Accounting Center GmbH	Wörrstadt	Germany	100.00	100.00	100.00	100.00
METRO Group Asset Management B.V.	Amsterdam	Netherlands	100.00	100.00	100.00	100.00
METRO Group Asset Management Ingatlan Kft.	Budaörs	Hungary	100.00	100.00	100.00	100.00
METRO Group Asset Management Services GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Group Asset Management Ukraine, Limited Liability Company	Kiev	Ukraine	100.00	100.00	100.00	100.00
METRO Group Buying Ukraine Ltd.	Kiev	Ukraine	100.00	100.00	100.00	–
METRO Group Commerce (Shanghai) Co., Ltd.	Shanghai	China	–	–	–	100.00
METRO GROUP COMMERCE LIMITED	Hong Kong	China	–	–	100.00	100.00
METRO Group Properties SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00	100.00	100.00	100.00
METRO GROUP REAL ESTATE ESPANA S.L.	Madrid	Spain	100.00	100.00	100.00	100.00
Metro Group Real Estate Private Limited Company	Karachi	Pakistan	99.75	99.75	99.75	99.75
METRO Group Retail Real Estate GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Group Retail Real Estate Romania S.R.L.	Voluntari	Romania	100.00	100.00	100.00	100.00
METRO Group Wholesale Real Estate Bulgaria EOOD	Sofia	Bulgaria	100.00	100.00	100.00	100.00
METRO Group Wholesale Real Estate GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Habib Cash & Carry Pakistan (Private) Limited	Karachi	Pakistan	75.00	75.00	75.00	75.00
Metro Holding France S. A.	Vitry-sur-Seine	France	100.00	100.00	100.00	100.00
METRO Innovations Holding GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO International AG	Chur	Switzerland	100.00	100.00	100.00	100.00
Metro International Beteiligungs GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Italia Cash and Carry S. p. A.	San Donato Milanese	Italy	100.00	100.00	100.00	100.00
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai	China	90.00	90.00	90.00	90.00
METRO Kereskedelmi Kft.	Budaörs	Hungary	100.00	100.00	100.00	100.00
METRO Leasing GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Leasing Objekt Schwerin GmbH	Düsseldorf	Germany	–	–	100.00	100.00
METRO LOGISTICS Germany GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO LOGISTICS Services GmbH	Düsseldorf	Germany	–	100.00	100.00	100.00
METRO Management EOOD	Sofia	Bulgaria	100.00	100.00	100.00	100.00
METRO North Warehouse Management (Chongqing) Co. Ltd.	Chongqing	China	100.00	100.00	100.00	100.00
Metro Properties B.V.	Amsterdam	Netherlands	100.00	100.00	100.00	100.00
METRO Properties CR s.r.o.	Prague	Czech Republic	100.00	100.00	100.00	100.00
METRO PROPERTIES Energy Management GmbH	Düsseldorf	Germany	100.00	100.00	100.00	–
METRO Properties Enterprise Management Consulting (Shanghai) Co., Ltd.	Shanghai	China	100.00	100.00	100.00	100.00
METRO PROPERTIES France SAS	Nanterre	France	100.00	100.00	100.00	100.00
Metro Properties Gayrimenkul Yatirim A.Ş.	Istanbul	Turkey	99.93	99.93	100.00	100.00
METRO PROPERTIES GmbH & Co. KG	Düsseldorf	Germany	99.51	99.51	99.51	99.51
METRO PROPERTIES Holding GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO PROPERTIES Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	100.00
METRO PROPERTIES Management GmbH	Düsseldorf	Germany	66.67	66.67	66.67	66.67
METRO Properties Real Estate Management Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	–	100.00	100.00	100.00
METRO PROPERTIES Sp. z o.o.	Warsaw	Poland	100.00	100.00	100.00	100.00
METRO Property Management (Beijing) Co. Ltd.	Beijing	China	100.00	100.00	100.00	100.00
Metro Property Management (Changsha) Co., Ltd.	Changsha	China	100.00	100.00	100.00	100.00
METRO Property Management (Changshu) Co. Ltd.	Changshu	China	100.00	100.00	100.00	100.00
Metro Property Management (Changzhou) Co. Ltd.	Changzhou	China	100.00	100.00	100.00	100.00
Metro Property Management (Chengdu Qingyang) Co., Ltd.	Chengdu	China	100.00	100.00	100.00	100.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
METRO Property Management (Chongqing) Co. Ltd.	Chongqing	China	100.00	100.00	100.00	100.00
Metro Property Management (Cixi) Co., Limited	Cixi	China	100.00	100.00	100.00	100.00
Metro Property Management (Dongguan) Co. Ltd.	Dongguan	China	100.00	100.00	100.00	100.00
Metro Property Management (Hangzhou) Company Limited	Hangzhou	China	100.00	100.00	100.00	100.00
METRO Property Management (Harbin) Co. Ltd.	Harbin	China	100.00	100.00	100.00	100.00
Metro Property Management (Hefei) Co. Ltd.	Hefei	China	100.00	100.00	100.00	–
METRO Property Management (Huai'an) Co., Ltd.	Huai'an	China	100.00	100.00	100.00	100.00
Metro Property Management (Jiangyin) Company Limited	Jiangyin	China	100.00	100.00	100.00	100.00
Metro Property Management (Jiaxing) Co. Ltd.	Jiaxing	China	100.00	100.00	100.00	100.00
Metro Property Management (Kunshan) Co. Ltd.	Suzhou	China	100.00	100.00	100.00	100.00
METRO Property Management (Nanchang Qingshanhu) Co. Ltd.	Nanchang	China	100.00	100.00	100.00	100.00
Metro Property Management (Nantong) Co. Ltd.	Nantong	China	100.00	100.00	100.00	100.00
Metro Property Management (Qingdao) Company Limited	Qingdao	China	100.00	100.00	100.00	100.00
METRO Property Management (Shenyang) Co. Ltd.	Shenyang	China	100.00	100.00	100.00	100.00
METRO Property Management (Shenzhen) Co. Ltd.	Shenzhen	China	100.00	100.00	100.00	100.00
Metro Property Management (Suzhou) Co., Ltd.	Suzhou	China	100.00	100.00	100.00	100.00
METRO Property Management (Tianjin Hongqiao) Co., Ltd.	Tianjin	China	100.00	100.00	100.00	100.00
METRO Property Management (Weifang) Co. Ltd.	Weifang	China	–	100.00	100.00	100.00
Metro Property Management (Wuhan) Co., Ltd.	Wuhan	China	100.00	100.00	100.00	100.00
METRO Property Management (Wuhu) Co. Ltd.	Wuhu	China	100.00	100.00	100.00	100.00
METRO Property Management (Xi'an) Co., Ltd.	Xi'an	China	100.00	100.00	100.00	100.00
METRO Property Management (Xiamen) Co., Ltd.	Xiamen	China	100.00	100.00	100.00	100.00
METRO Property Management (Xiangyang) Co. Ltd.	Xiangyang	China	100.00	100.00	100.00	100.00
METRO Property Management (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	100.00	100.00	100.00	100.00
Metro Property Management (Zhengzhou) Co., Ltd.	Zhengzhou	China	100.00	100.00	100.00	100.00
METRO Property Management (Zhongshan) Co. Limited	Zhongshan	China	100.00	100.00	100.00	100.00
METRO Property Management Wuxi Co. Ltd.	Wuxi	China	100.00	100.00	100.00	100.00
METRO Re AG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Real Estate Ltd.	Zagreb	Croatia	100.00	100.00	100.00	100.00
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar	Germany	100.00	100.00	100.00	100.00
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden	Germany	100.00	100.00	100.00	100.00
METRO Service GmbH	Vösendorf	Austria	100.00	100.00	100.00	100.00
METRO Services GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO Services PL spółka z ograniczoną odpowiedzialnością	Szczecin	Poland	100.00	100.00	100.00	100.00
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
METRO South East Asia Holding GmbH	Vienna	Austria	100.00	100.00	100.00	100.00
METRO SYSTEMS GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Metro Systems Romania S.R.L.	Bucharest	Romania	100.00	100.00	100.00	100.00
METRO SYSTEMS RU Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	–
METRO Systems Ukraine LLC	Kiev	Ukraine	100.00	100.00	100.00	100.00
METRO Warehouse Management (Chongqing) Co. Ltd.	Chongqing	China	100.00	100.00	100.00	100.00
Metro Warehouse Management (Hangzhou) Co. Ltd.	Hangzhou	China	100.00	100.00	100.00	100.00
METRO Warehouse Management (Suzhou) Co. Ltd.	Suzhou	China	100.00	100.00	100.00	100.00
Metro Warehouse Management (Taizhou) Co. Ltd	Taizhou	China	100.00	100.00	100.00	100.00
Metro Warehouse Management (Wuhan) Co. Ltd.	Wuhan	China	100.00	100.00	100.00	100.00
Metro Warehouse Management (Yantai) Co., Limited	Yantai	China	100.00	100.00	100.00	100.00
METRO Warehouse Management (Zibo) Co., Ltd.	Zibo	China	100.00	100.00	100.00	100.00
Metro Warehouse Noginsk Limited Liability Company	Noginsk	Russia	100.00	100.00	100.00	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

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
MGA METRO Group Advertising GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MGA METRO Group Advertising Polska Sp. z o.o. i Spólka Sp.k.	Warsaw	Poland	100.00	–	–	–
MGA METRO Group Advertising Rus OOO	Moscow	Russia	100.00	100.00	100.00	–
MGA METRO Group Advertising Spolka z ogranicona odpowiedzialoscia	Warsaw	Poland	100.00	100.00	100.00	100.00
MGB METRO Group Buying (Shanghai) Co., Ltd.	Shanghai	China	100.00	100.00	100.00	100.00
MGB METRO Group Buying HK Limited	Hong Kong	China	100.00	100.00	100.00	100.00
MGB Metro Group Buying Romania SRL	Bucharest	Romania	100.00	100.00	100.00	100.00
MGB METRO Group Buying RUS OOO	Moscow	Russia	100.00	100.00	100.00	100.00
MGB METRO Group Buying TR Satinalma Ticaret Limited Sirketi	Istanbul	Turkey	100.00	100.00	100.00	100.00
MGC METRO Group Clearing GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MGE Warenhandelsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MGI Metro Group Iletisim ve Enformasyon Ticaret Limited Sirketi	Istanbul	Turkey	100.00	100.00	100.00	100.00
MGL LOGISTICS SERVICES GREECE Eteria Periorismenis Efthinis	Agios Ioannis Rentis	Greece	100.00	100.00	–	–
MGL METRO Group Logistics Bulgaria LTD	Sofia	Bulgaria	100.00	100.00	100.00	100.00
MGL METRO Group Logistics GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MGL METRO Group Logistics Limited Liability Company	Noginsk	Russia	100.00	100.00	100.00	100.00
MGL METRO Group Logistics Polska Sp. z o.o.	Warsaw	Poland	100.00	100.00	100.00	100.00
MGL METRO Group Logistics Polska Sp. z o.o. i Spólka Sp.k.	Warsaw	Poland	100.00	100.00	100.00	100.00
MGL METRO GROUP LOGISTICS UKRAINE LLC	Kiev	Ukraine	100.00	100.00	100.00	100.00
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MGP METRO Group Account Processing GmbH	Kehl	Germany	100.00	100.00	100.00	100.00
MGP METRO Group Account Processing International AG	Baar	Switzerland	100.00	100.00	100.00	100.00
MGT METRO Group Travel Services GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MIAG Asia Co. Ltd.	Hong Kong	China	100.00	100.00	100.00	100.00
MIAG Commanditaire Vennootschap	Amsterdam	Netherlands	100.00	100.00	100.00	100.00
MIAG RUS Limited Liability Company	Kotelniki	Russia	100.00	100.00	100.00	–
MIB METRO Group Insurance Broker GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MIDBAN ESOLUTIONS S.L.	Barcelona	Spain	–	75.00	75.00	75.00
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
MIP METRO Holding Management GmbH	Düsseldorf	Germany	–	–	–	100.00
Morocco Fish Trading Company SARL AU	Casablanca	Morocco	100.00	100.00	100.00	100.00
MP Gayrimenkul Yönetim Hizmetleri Anonim Şirketi	Istanbul	Turkey	–	100.00	100.00	100.00
MRE Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	100.00	100.00	100.00	100.00
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Multi-Center Warenvertriebs GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
My Mart (China) Trading Co., Ltd.	Guangzhou	China	100.00	100.00	100.00	100.00
N & NF Trading GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
NIGRA Verwaltung GmbH & Co. Objekt Detmold KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
NIGRA Verwaltung GmbH & Co. Objekt Ludwigshafen KG	Pullach im Isartal	Germany	49.00	49.00	49.00	49.00
NIGRA Verwaltung GmbH & Co. Objekt Moers KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
NIGRA Verwaltung GmbH & Co. Objekt Oberhausen oHG	Pullach im Isartal	Germany	100.00	100.00	100.00	100.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
NIGRA Verwaltung GmbH & Co. Objekt Salzgitter KG	Pullach im Isartal	Germany	100.00	100.00	100.00	–
NordRhein Trading GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
OSKUS Verwaltung GmbH & Co. Objekt Aachen SB-Warenhaus KG	Pullach im Isartal	Germany	0.00	0.00	0.00	0.00
OSKUS Verwaltung GmbH & Co. Objekt Krefeld KG	Pullach im Isartal	Germany	0.00	0.00	0.00	0.00
OSKUS Verwaltung GmbH & Co. Objekt Nettetal KG	Pullach im Isartal	Germany	–	0.00	0.00	0.00
Parma Foodstuff Holding Ltd.	Tortola	British Virgin Islands	–	–	–	75.00
PAROS Verwaltung GmbH & Co. Objekt Bitterfeld KG	Pullach im Isartal	Germany	10.00	10.00	10.00	10.00
PAROS Verwaltung GmbH & Co. Objekt Hürth KG	Pullach im Isartal	Germany	0.00	0.00	0.00	0.00
PAROS Verwaltung GmbH & Co. Objekt Stralsund KG	Pullach im Isartal	Germany	10.00	10.00	10.00	10.00
Petit RUNGIS express GmbH	Bonn	Germany	–	–	–	100.00
PIL Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Pro. FS GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
PT Classic Fine Foods Indonesia	North Jakarta	Indonesia	–	–	100.00	100.00
PT Paserda Indonesia	Jakarta	Indonesia	100.00	100.00	100.00	100.00
Qingdao Metro Warehouse Management Co. Ltd.	Qingdao	China	100.00	100.00	100.00	100.00
R'express Allmentos Unipessoal LDA	Lissabon	Portugal	–	–	–	100.00
RaW Real Estate Asia Pte.Ltd.	Singapore	Singapore	100.00	100.00	100.00	100.00
real ,- Sp. z o.o. i Spólka spólka komandytowa	Warsaw	Poland	100.00	–	–	–
Real Estate Management Misr Limited Liability Company	Cairo	Egypt	100.00	100.00	100.00	100.00
real,- Digital Fulfillment GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
real,- Digital Services GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
real,- Group Holding GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
real,- Handels GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
real,- Hipermarketler Zinciri Anonim Sirketi	Istanbul	Turkey	99.82	–	–	–
real,- Holding GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
real,- SB-Warenhaus GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
real,- Spólka z ograniczona odpowiedzialnoscia	Warsaw	Poland	100.00	–	–	–
Remo Zaandam B.V.	Zaandam	Netherlands	100.00	100.00	100.00	100.00
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Retail Property 1 Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	100.00
Retail Property 2 Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	100.00
Retail Property 3 Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	–
Retail Property 4 Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	100.00
Retail Property 5 Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	100.00
Retail Property 6 Limited Liability Company	Moscow	Russia	–	–	100.00	100.00
Retail Real Estate Limited Liability Company	Moscow	Russia	100.00	100.00	100.00	100.00
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gerlingen KG	Düsseldorf	Germany	94.00	94.00	94.00	94.00
Rotterdam Trading Office B.V.	Amsterdam	Netherlands	100.00	100.00	100.00	100.00
RUDU Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
RUNGIS express GmbH	Bonn	Germany	–	–	–	100.00
RUNGIS express Gourmet Service Ges.m.b.H.	Salzburg	Austria	–	–	–	100.00
RUNGIS express SPAIN SL	Palma de Mallorca	Spain	–	–	–	100.00
RUNGIS express Suisse Holding AG	Courgevaux	Switzerland	–	–	–	100.00
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG	Pullach im Isartal	Germany	100.00	100.00	100.00	100.00
S.C. real Hyper Magazine s.r.l.	Bucharest	Romania	100.00	100.00	100.00	100.00
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Sentinel GCC Holdings Limited	Tortola	British Virgin Islands	–	–	100.00	100.00
Sezam XVI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Warsaw	Poland	100.00	100.00	100.00	100.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
Shenzhen Hemaijia Trading Co. Ltd.	Shenzhen	China	–	–	100.00	100.00
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf	Germany	92.00	92.00	92.00	92.00
Sinco Großhandelsgesellschaft m. b. H.	Vösendorf	Austria	73.00	73.00	73.00	73.00
Singapore Trading Office (MAG) Pte. Ltd.	Singapore	Singapore	100.00	100.00	100.00	100.00
Sociedad Ibérica Restaurantes de Tecnología Avanzada S. A. U.	Madrid	Spain	100.00	100.00	100.00	100.00
Star Farm (Shanghai) Agriculture Information Consulting Company Limited	Shanghai	China	100.00	100.00	100.00	100.00
Star Farm Pakistan Pvt. Ltd.	Lahore	Pakistan	100.00	100.00	100.00	100.00
STW Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
TIMUG GmbH & Co. Objekt Homburg KG	Düsseldorf	Germany	0.00	0.00	0.00	0.00
TIMUG Verwaltung GmbH	Düsseldorf	Germany	–	100.00	100.00	100.00
VALENCIA TRADING OFFICE, S.L.	Madrid	Spain	100.00	100.00	100.00	100.00
Vallesmar Peixos S.L.	Reus	Spain	–	–	–	100.00
VR-LEASING METRO GmbH & Co. Objekte Rhein-Neckar KG	Eschborn	Germany	0.00	0.00	0.00	0.00
Weinkellerei Thomas Rath GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Western United Finance Company Limited	London	Great Britain	–	–	100.00	100.00
Wholesale Real Estate Belgium N.V.	Wommelgem	Belgium	100.00	100.00	100.00	100.00
Wholesale Real Estate Poland Sp. z o.o.	Warsaw	Poland	100.00	100.00	100.00	100.00
Wirichs Immobilien GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Wirichs Immobilien GmbH & Co. Objekt Herford KG	Düsseldorf	Germany	63.64	81.82	81.82	100.00
Wolfgang Wirichs GmbH	Düsseldorf	Germany	100.00	100.00	100.00	100.00
World Import N. V.	Puurs	Belgium	100.00	100.00	100.00	100.00
WRE Real Estate Limited Liability Partnership	Almaty	Kazakhstan	100.00	100.00	100.00	100.00
Xi'an METRO Commercial and Trading Company Limited	Xi'an	China	100.00	100.00	100.00	100.00
Yugengaisha MIAG Japan	Tokyo	Japan	100.00	100.00	100.00	100.00
ZARUS Verwaltung GmbH & Co. Dritte Vermietungs-oHG	Pullach im Isartal	Germany	100.00	100.00	100.00	–
ZARUS Verwaltung GmbH & Co. Objekt Braunschweig Berliner Straße KG	Pullach im Isartal	Germany	100.00	100.00	100.00	100.00
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ZARUS Verwaltung GmbH & Co. Objekt Osnabrück KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG	Düsseldorf	Germany	100.00	100.00	100.00	100.00
Joint ventures						
Font Distribucio Horeca S.L.	Tona	Spain	–	–	–	51.00
Intercompra LDA	Lisbon	Portugal	50.00	50.00	50.00	50.00
MAXXAM C.V.	Ede	Netherlands	25.00	16.67	16.67	16.67
MAXXAM B.V.	Ede	Netherlands	25.00	16.67	16.67	16.67
METSPA d.o.o. za trgovinu	Zagreb	Croatia	50.00	50.00	50.00	50.00
Investments accounted for using the equity method						
European EPC Competence Center GmbH	Cologne	Germany	30.00	30.00	30.00	30.00
EZW Kauf- und Freizeitpark GmbH & Co. Kommanditgesellschaft	Bremen	Germany	49.00	49.00	49.00	–
Fachmarktzentrum Essen GmbH & Co. KG	Pullach im Isartal	Germany	94.00	94.00	94.00	94.00
Habib METRO Pakistan (Pvt) Ltd	Karachi	Pakistan	40.00	40.00	40.00	40.00
Helm Wohnpark Lahnblick GmbH	Aßlar	Germany	–	–	–	25.00
Iniziative Methab s.r.l.	Bozen	Italy	50.00	50.00	50.00	50.00
Kato S.à r.l.	Luxembourg	Luxembourg	–	–	5.10	5.10
Mayfair GP S.à r.l.	Luxembourg	Luxembourg	–	–	40.00	40.00
Mayfair Holding Company S.C.S.	Luxembourg	Luxembourg	–	–	39.99	39.99
MEC METRO-ECE Centermanagement GmbH & Co. KG	Düsseldorf	Germany	50.00	50.00	50.00	50.00
MEC METRO-ECE Centermanagement Verwaltungs GmbH	Düsseldorf	Germany	50.00	50.00	50.00	50.00
METSPA Beszerzési és Kereskedelmi Kft.	Budaörs	Hungary	33.33	33.33	33.33	33.33
MobiLab Solutions GmbH	Cologne	Germany	13.68	13.68	27.37	33.05
Napier S.à r.l.	Luxembourg	Luxembourg	–	–	5.10	5.10
OPCI FRENCH WHOLESALE PROPERTIES – FWP	Paris	France	30.74	5.00	5.00	5.00

Name	Head office	Country	Share in capital in %			
			1/10/2013	30/9/2014	30/9/2015	30/9/2016
OPCI FRENCH WHOLESALE STORES – FWS	Paris	France	25.00	25.00	25.00	25.00
Peter Glinicke Grundstücks-GmbH & Co. KG	Pullach im Isartal	Germany	–	–	50.00	50.00
Quadrant S.à r.l.	Luxembourg	Luxembourg	–	94.90	5.10	5.10
Sabra S.à r.l.	Luxembourg	Luxembourg	–	94.90	5.10	5.10
Tatra S.à r.l.	Luxembourg	Luxembourg	–	94.90	5.10	5.10
Upton S.à r.l.	Luxembourg	Luxembourg	–	94.90	5.10	5.10
Wilcox S.à r.l.	Luxembourg	Luxembourg	–	94.90	5.10	5.10
Xiali S.à r.l.	Luxembourg	Luxembourg	–	94.90	5.10	5.10
Zagato S.à r.l.	Luxembourg	Luxembourg	–	94.90	5.10	5.10
Zender S.à r.l.	Luxembourg	Luxembourg	–	94.90	5.10	5.10
Investments not accounted for using the equity method						
EZW Kauf- und Freizeitpark Verwaltungs-GmbH	Bremen	Germany	49.04	49.04	49.04	–
IFH Institut für Handelsforschung GmbH	Cologne	Germany	16.67	16.67	16.67	14.29
Metro plus Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	Germany	20.00	20.00	20.00	20.00
Investments						
Booker Group PLC	Wellingborough	Great Britain	9.08	–	–	–
Culinary Agents Inc.	Wilmington	USA	–	–	18.33	18.33
Diehl & Brüser Handelskonzepte GmbH	Düsseldorf	Germany	–	–	15.00	100.00
EKS Handelsgesellschaft mbH	Salzburg	Austria	25.00	25.00	25.00	25.00
EKS Handelsgesellschaft mbH & Co. KG	Salzburg	Austria	25.00	25.00	25.00	25.00
Erschließungsgesellschaft Schwerin-Krebsförden mbH & Co. Kommanditgesellschaft	Lüneburg	Germany	18.18	18.18	18.18	18.18
eVentures Growth, L.P.	Wilmington	USA	–	5.00	5.00	5.00
Gourmet F&B Korea Ltd.	Seoul	South Korea	–	–	–	28.00
GSSI Consortium GbR	Düsseldorf	Germany	7.69	7.69	7.69	7.69
Hitmeister GmbH	Düsseldorf	Germany	–	–	–	100.00
HoReCa Innovation I GmbH & Co. KG	Düsseldorf	Germany	–	–	–	100.00
HoReCa Investment I 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 GmbH & Co. KG	Düsseldorf	Germany	–	–	–	100.00
orderbird AG	Berlin	Germany	–	–	–	14.18
QUANTIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Schönefeld	Germany	6.00	6.00	6.00	6.00
QUANTIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Junior Augsburg KG	Schönefeld	Germany	6.00	6.00	6.00	6.00
Shore GmbH	Munich	Germany	–	–	–	12.41
Verwaltungsgesellschaft Lebensmittelgesellschaft „GLAWA“ mbH & Co. KG	Hamburg	Germany	18.75	18.75	18.75	18.75
VR –Leasing MUSCARI Gmbh & Co. Immobilien KG	Eschborn	Germany	94.00	94.00	–	–

6 December 2016

The Management Board

Olaf Koch	Pieter C. Boone	Mark Frese	Pieter Haas	Heiko Hutmacher

The auditor's report is a translation of the respective German-language document.

Independent Auditor's Report

To METRO AG, Düsseldorf

We have audited the accompanying combined financial statements prepared by METRO AG, Düsseldorf, which comprise the combined statement of financial position as at September 30th, 2016, September 30th, 2015, September 30th, 2014 and October 1st, 2013, the combined statement of profit or loss, the reconciliation from the combined profit or loss of the period to the combined total comprehensive income, the combined statement of changes in equity and combined statement of cash flows for the financial years 2013/2014, 2014/2015, 2015/2016, and notes to the combined financial statement for those economical activities of the "MWFS GROUP" (Reporting Entity) constituted in the chapter "Accounting principles and methods used in the combined financial statements".

Legal Representatives' Responsibility for the Combined Financial Statements

The legal representatives of METRO AG are responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU and for such internal control as the legal representatives determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and dis-closures in the combined financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Metro AG's preparation and fair presentation of the combined financial statements 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 Metro AG's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the legal representatives, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements presents fairly, in all material respects, the financial position of the "MWFS GROUP" as at September 30th, 2016, September 30th, 2015, September 30th, 2014 and October 1st, 2013 and its financial performance and its cash flows for the financial years 2013/14, 2014/15, 2015/16 in accordance with IFRS as adopted in the EU.

Emphasis of matter

Without modifying our opinion, we draw attention to the chapter "Accounting principles and methods used in the combined financial statements – Combination group" which includes the

approach to and purpose for preparing them. There is stated that the “MWFS GROUP” was not operating as an independent group. The combined financial statements are not necessarily indicative of the results which would have been achieved by “MWFS GROUP” by being an independent and separate group during the reporting years, neither are they indicative for future results.

Düsseldorf, December 8, 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Lurweg	Ismar
Wirtschaftsprüfer	Wirtschaftsprüfer

20.3. Audited Unconsolidated Financial Statements of MWFS AG (at that time still METRO Wholesale & Food Specialist GmbH) Prepared in Accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the Financial Year Ended September 30, 2016

The Audited Unconsolidated Financial Statements is a translation of the respective German-language document.

METRO Wholesale & Food Specialist GmbH, Dusseldorf

Balance sheet as of 30 September 2016

Assets

	30.09.2016	30.09.2015
	EUR	EUR
A. Non-current assets		
Financial assets		
Shares in affiliated companies	7,494,895,584.39	0.00
B. Current assets		
Receivables and other assets		
1. Receivables from associates	40,290,523.83	32,155,398.62
2. Other assets	151,661.52	0.00
	40,442,185.35	32,155,398.62
	7,535,337,769.74	**32,155,398.62**

Liabilities

	30.09.2016	30.09.2015
	EUR	EUR
A. Equity		
I. Share capital	204,517,000.00	204,517,000.00
II. Capital reserve	189,010,760.43	3,115,460,271.51
III. Reserves retained from earnings		
Other reserves retained from earnings	0.00	1,864,811.93
IV. Balance sheet profit (previous year: balance sheet loss)	0.00	-3,289,686,684.82
	393,527,760.43	**32,155,398.62**
B. Provisions		
1. Tax provisions	3,136,183.47	0.00
2. Other provisions	20,000.00	0.00
	3,156,183.47	0.00
C. Liabilities		
1. Trade liabilities	1,194.04	0.00
2. Liabilities to affiliated companies	7,138,652,631.80	0.00
	7,138,653,825.84	0.00
	7,535,337,769.74	**32,155,398.62**

Dusseldorf, November 8, 2016

Christian Baier   Dr. Christoph Kämper   Christian Ziggel

METRO Wholesale & Food Specialist GmbH, Dusseldorf

Income statement for the period from 1 October 2015 to 30 September 2016

	1/10/2015 – 30/9/2016	1/10/2014 – 30/9/2015
	EUR	EUR
1. Other operating income	8,636,320.28	44,149,063.00
2. Other operating expenses	-9,165,620.21	-10,478,027.00
3. Other interest and similar income	213,787.25	0.00
4. Depreciation/amortisation/impairment losses on financial assets	-6,722,092.61	0.00
5. Interest and similar expenses thereof to affiliated companies €-237.37 (previous year: €0.00)	-21,193.41	-12,135,559.00
6. Result from ordinary operations	-7,058,798.70	21,535,477.00
7. Income taxes	-2,784,722.47	0.00
8. Other taxes	-35,973.43	-21,535,477.00
9. Income transferred under a profit transfer agreement	-143.59	0.00
10. Net loss for the period (-) / net profit for the period (+)	-9,879,638.19	0.00
11. Loss carry-forwards from the previous year	-3,289,686,684.82	-3,289,686,684.82
12. Withdrawals from reserves retained from earnings	1,864,811.93	0.00
13. Withdrawals from capital reserve	3,747,701,511.08	0.00
14. Distribution from capital reserve	-450,000,000.00	0.00
15. Balance sheet profit (previous year: balance sheet loss)	0.00	-3,289,686,684.82

Dusseldorf, November 8, 2016

Christian Baier Dr. Christoph Kämper Christian Ziggel

METRO Wholesale & Food Specialist GmbH
(until 18/5/2016: Zweite real,- SB-Warenhaus GmbH), Düsseldorf

Notes to the financial statements for financial year 2015/16

Principles of the company

As of 1 October 2013, METRO Wholesale & Food Specialist GmbH ("MWFS" or "company"; previously: Zweite real,- SB-Warenhaus GmbH) spun off its entire operating activities and has since had no operations.

Until 15 September 2016, METRO Groß- und Lebensmitteleinzelhandel Holding GmbH (MGLEH) was the sole owner of MWFS GmbH. In the context of the structural preparations for the planned demerger of METRO GROUP, the shares in MWFS were directly sold to METRO AG and the company was economically re-established with its entry into the Commercial Register on 19 September 2016. Following the implementation of the demerger of METRO GROUP into the two segments wholesale and food retail (CC business segment) and consumer electronics (CE business segment), MWFS will serve as the group holding company managing the operating activities of METRO Cash & Carry and Real. In this context, the company acquired shares in affiliated companies within the group in financial year 2015/16 or absorbed such affiliated companies by means of asset contributions from METRO AG. As a result, the figures for the reporting period cannot be compared with those of the previous year.

As of 30 September 2015, MGLEH was the sole owner of MWFS. In financial year 2015/16, MGLEH sold all shares in MWFS to METRO AG. Effective 19 September 2016, METRO AG transferred these shares to METRO Consumer Electronics Zwischenholding GmbH & Co. KG (METRO CE KG) by means of an asset contribution. Since that date, METRO CE KG has been the sole owner of MWFS.

Disclosure, accounting and measurement principles

The annual financial statements of MWFS are prepared in accordance with the regulations of the German Commercial Code (HGB) and the German Limited Liability Companies Act (GmbHG).

The company classifies as a micro-entity in accordance with § 267a of the German Commercial Code (HGB), but does not make use of the size-related exemption from the obligation to draw up notes to the accounts pursuant to § 264 Section 1 Sentence 5 HGB. The company also does not use the option to draw up an abridged balance sheet in accordance with § 266 Section 1 Sentence 4 HGB and prepares its balance sheet in accordance with the applicable regulations of § 266 Section 1 Sentence 2 HGB for large and medium-sized corporations. Furthermore, the company does not make use of the option to draw up an abridged income statement in accordance with § 275 Section 5 HGB and prepares its income statement in accordance with the regulations of § 275 Section 2 HGB.

The company has voluntarily added a cash flow statement and a statement of changes in equity to its annual financial statements, forming a single unit with the balance sheet, the income statement and the notes to the annual financial statements.

The income statement was prepared using the total cost method.

The annual financial statements have been prepared in euro.

Shares in affiliated companies are recognised at cost or, if sustained impairment can be assumed, at the lower of cost or market. Lower valuations are maintained insofar as a higher valuation up to the original cost of purchase is not required.

Receivables and other assets are recognised at their nominal values.

Tax provisions and other provisions account for all identifiable risks and uncertain obligations. The provisions are measured at the settlement amount necessary to cover future payment obligations based on prudent business judgement.

Liabilities are recognised at the settlement amount.

Notes to the balance sheet

Financial assets

The following table outlines the development of financial assets:

	01.10.2015 €	Addition €	Disposal €	Depreciation/ amortisation/ impairment losses (cumulative) €	30.09.2016 €	Depreciation/ amortisation/ impairment losses in the financial year €
Shares in affiliated companies	**0.00**	**7,501,617,677.00**	**0.00**	**6,722,092.61**	**7,494,895,584.39**	**6,722,092.61**

Aside from the acquisition of the central companies of the METRO Cash & Carry and Real sales lines from METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, additions particularly include the contributions of METRO PROPERTIES GmbH & Co. KG and METRO PROPERTIES Management GmbH by METRO AG.

Company	Addition from	Purchase price / capital contribution value €
METRO Cash & Carry International GmbH	Acquisition	5,963,736,000.00
METRO PROPERTIES GmbH & Co. KG	Capital contribution	821,236,000.00
real, – Holding GmbH	Acquisition	645,000,000.00
MGB METRO GROUP Buying HK Limited	Acquisition	49,000,000.00
real, – Group Holding GmbH	Acquisition	12,501,750.39
METRO Innovations Holding GmbH	Acquisition	6,747,092.61
Hitmeister GmbH	Acquisition	3,100,834.00
HoReCa Digital GmbH (previously METRO Cash & Carry International Management GmbH)	Acquisition	280,000.00
METRO PROPERTIES Management GmbH	Capital contribution	16,000.00
Total		**7,501,617,677.00**

Depreciation/amortisation/impairment losses relate to shares in METRO Innovations Holding GmbH.

In addition, MWFS holds a call option for the transfer of the remaining shares in METRO PROPERTIES GmbH & Co. KG from METRO AG, which can be exercised for the first time three years after the demerger of METRO AG has been implemented.

The list of affiliated companies pursuant to § 285 of the German Commercial Code (HGB) lists the respective equity and net profit or loss of the subsidiaries:

Company	Company head office	Capital share %	Equity[1] €	Net profit or loss €	Date
METRO Cash & Carry International GmbH	Düsseldorf	94.00%	3,983,964,306.27	0.00[2]	30.09.2015
METRO Innovations Holding GmbH	Düsseldorf	100.00%	25,000.00	0.00[2]	30.09.2015
METRO PROPERTIES GmbH & Co. KG	Düsseldorf	92.90%	154,975,788.00	6,753,737.17	30.09.2015
real, – Holding GmbH	Düsseldorf	100.00%	639,834,505.41	0.00[2]	30.09.2015
real, – Group Holding GmbH	Düsseldorf	100.00%	12,501,750.39	0.00[2]	30.09.2015
HoReCa Digital GmbH	Düsseldorf	100.00%	30,000.00	0.00[2]	30.09.2015
METRO PROPERTIES Management GmbH	Düsseldorf	33.33%	52,488.63	4,440.49	30.09.2015
MGB METRO Group Buying HK Limited	Hong Kong	100.00%	26,848,118.00	14,680,391.00	30.09.2015
Hitmeister GmbH	Düsseldorf	100.00%	-5,237,360.14	-3,660,714.17	31.12.2015

[1] based on 100%

[2] after transer / assumption of the net profit or loss in the context of controlling and profit-and-loss transfer agreements

Receivables and other assets

Receivables and other assets comprise current receivables from METRO GROUP companies and the cash pool deposits managed by MGC METRO GROUP Clearing GmbH on behalf of the company. The other assets exclusively relate to tax receivables from commercial tax and interest.

Equity

As of 30 September 2016, the share capital is unchanged at €204,517,000.00 and includes a company share that is held by METRO Consumer Electronics Zwischenholding GmbH & Co. KG as of the closing date.

MWFS' capital reserve amounts to €189,010,760.43 as of 30 September 2016 (2014/15: €3,115,460,271.51). The decline in the capital reserve compared with the previous year is due to various legal transactions as well as to the fact that the loss carry-forwards were offset against the capital reserve. The contribution of METRO PROPERTIES GmbH & Co. KG and METRO PROPERTIES Management GmbH by METRO AG in the context of the economic reestablishment of MWFS increased the capital reserve by a total of €821.3 million. In addition, an amount of €450.0 million was withdrawn from the capital reserve. The loss carry-forwards and the net loss were offset against the capital reserve.

As of 30 September 2016, MWFS' reserves retained from earnings amount to €0.00 (2014/15: €1,864,811.93). They were dissolved for the settlement with loss carry-forwards.

A detailed overview of changes in equity is provided in the statement of changes in equity.

Provisions

The item tax provisions relates to corporate income tax for the tax results allocable to MWFS and the related solidarity surcharge.

Liabilities

		thereof		
	Total	**< 1 year**	**1 < 5 years**	**> 5 years**
	€	**€**	**€**	**€**
Trade liabilities	1,194.04	1,194.04	–	–
Liabilities to affiliated companies	7,138,652,631.80	514,034,047.41	6,624,618,584.39	–
Total	**7,138,653,825.84**	**514,035,241.45**	**6,624,618,584.39**	**–**

At €6,673,643,584.39 and €450,000,000, respectively, liabilities to affiliated companies essentially result from share purchases made during financial year 2015/16 and from withdrawals from the capital reserve.

The above-mentioned non-current liabilities to affiliated companies result from an extension agreement and have been deferred to 30 September 2019. An early repayment of the purchase prices is permitted under special conditions.

Liabilities totalling €6,624,618,584.39 are secured by a letter of comfort issued by METRO AG.

Notes to the income statement

During financial year 2015/16, impairment losses of €6,722,092.61 were effected on shares in affiliated companies.

Other operating income or expenses include income and/or expenses relating to other periods from the "Wal-Mart tax refunds" transaction that is described in the following.

The acquisition of the business activities of Wal-Mart Germany in 2006 had the following effects on the company's financial statements:

Previous year 2014/15: The tax audits that were conducted during the period 2001 to 2006 resulted in payment of sales tax arrears and interest on sales and capital gains tax arrears

totalling €44.1 million, of which €10.5 million (from unpaid capital gains tax) is recognised in other operating income, €21.5 million (sales tax) in other taxes and €12.1 million in interest and similar expenses. The tax clause in the share purchase contract resulted in a claim to compensation in the same amount from Wal-Mart USA. METRO AG activated this claim from Wal-Mart USA during financial year 2014/15. It was passed through to the company and recognised under other operating income.

Current financial year 2015/16: In 2007, Wal-Mart Germany KG sold its 94.8 per cent stake in RUDU GmbH to GBS GmbH and METRO Leasing GmbH. MWFS is the legal successor to Wal-Mart Germany KG. During the past financial year, the tax audits of RUDU GmbH for the years 2001 to 2006 were completed and assessed by the relevant tax authorities. As the universal successor to Wal-Mart Germany KG, MWFS has an obligation to refund payments of tax arrears and the related duties or charges accessory to taxes of RUDU GmbH. This resulted in a negative effect of €9.1 million in other operating expenses of MWFS. These negative effects are offset by income from refund entitlements to Wal-Mart USA as well as tax refunds and interest totalling €9.1 million. METRO AG activated these refund entitlements to Wal-Mart USA and passed them through to MWFS.

Income tax also includes current corporate income tax and the related solidarity surcharge of €3.1 million concerning an exclusively tax-related allocation of income from a direct investment in a business partnership.

The item "income transferred under a profit transfer agreement" includes the income generated by the company during the period 1 October 2015 to 15 September 2016 that was transferred for the last time as a result of the termination for cause of the control agreement and profit transfer agreement that had existed between the company and METRO Groß- und Lebensmitteleinzelhandel Holding GmbH since 2007.

In accordance with § 274 Section 1 of the German Commercial Code (HGB), the company elected not to create deferred tax assets in relation to existing loss carry-forwards.

Other notes

Contingent liabilities

In relation to two spin-offs, the company has joint liability for the spun-off liabilities under § 133 of the German Law Regulating the Transformation of Companies (UmwG). The first spin-off resulted from the transfer of six hypermarkets in financial year 2009 (including all associated rights, obligations and encumbrances, contractual relationships and provisions as well as prepaid expenses and deferred charges). In addition, the company spun off its entire operations in financial year 2013/14. No claims were enforced as of the closing date. The company has a contractual claim for indemnification for both cases against real,- SB-Warenhaus GmbH that it could activate if, contrary to expectations, claims were to be enforced.

Cash flow statement

Cash and cash equivalents comprise cash of €0.00 and cash equivalents of €356,530.94 and are shown under receivables from affiliated companies. The above-mentioned share purchases did not result in any cash outflow.

Statement of changes in equity

As of 30 September 2016, €189,010,760.43 of equity shown in the balance sheet was available for dividend payouts to shareholders.

Employees

METRO Wholesale & Food Specialist GmbH did not have any employees in financial year 2015/16.

Management Board

Christian Baier
CFO METRO Cash & Carry
(from 29 August 2016)

Dr Christoph Kämper
Global Director Legal Affairs & Compliance of METRO AG
(from 29 August 2016)

Christian Ziggel
Group Director Investor Relations and Mergers & Acquisitions of METRO AG
(from 29 August 2016)

Didier Fleury
Manager Retail Transformation Projects of METRO AG
(until 1 June 2016)

Henning Gieseke
CEO/CFO real,- SB-Warenhaus GmbH
(until 29 August 2016)

Patrick Müller-Sarmiento
CEO real,- SB-Warenhaus GmbH
(until 29 August 2016)

Jörg Kramer
CHRO real,- SB-Warenhaus GmbH
(until 29 August 2016)

Frank Kretschmar
COO real,- SB-Warenhaus GmbH
(until 29 August 2016)

No compensation was paid to the Management Board.

Consolidated Financial Statements

The company is included in the consolidated financial statements of METRO AG, Dusseldorf. These consolidated financial statements are released in the electronic Federal Gazette.

Please note that METRO Wholesale & Food Specialist GmbH is exempt from the obligation to prepare consolidated financial statements in accordance with § 291 Section 1 Sentence 1 of the German Commercial Code (HGB).

Earnings appropriation

As of the closing date, a net loss for the period of €9,879,638.19 and withdrawals from reserves retained from earnings and the capital reserve totalling €3,747,701,511.08 resulted in a balance sheet profit of €0.00.

Dusseldorf, November 8, 2016

Christian Baier Dr Christoph Kämper Christian Ziggel

Cash flow statement and notes to the cash flow statement

The company is tied into the cash-pooling system of METRO GROUP. As a result, cash and cash equivalents also comprise these short-term, highly liquid receivables from MGC METRO Group Clearing GmbH, which may be liquidised at short notice and are subject to negligible fluctuations in value.

As the company had no own operations during the financial year, cash inflows and cash outflows resulted almost exclusively from the settlement of tax issues and related interest for earlier financial years.

There were no cash inflows or cash outflows during the previous year.

Cash flow statement for METRO Wholesale & Food Specialist GmbH for the financial year from 1 October 2015 to 30 September 2016	**2015/16 €**	**2014/15 €**
+ Interest received on tax refunds	144,398.51	0.00
– Interest paid, essentially for tax liabilities	-21,193.41	0.00
– Other cash outflows, essentially tax payments	-35,954.19	0.00
+ Income tax refunds	269,280.03	0.00
= Cash flow from regular operations	**356,530.94**	**0.00**
Net change in cash and cash equivalents	356,530.94	0.00
Cash and cash equivalents at the start of the period	0.00	0.00
Cash and cash equivalents at the end of the period	**356,530.94**	**0.00**

Dusseldorf, November 8, 2016

Christian Baier Dr. Christoph Kämper Christian Ziggel

METRO Wholesale & Food Specialist GmbH

Statement of changes in equity for the period from 1 October 2015 to 30 September 2016

			Generated equity		
	Share capital	**Capital reserve**	**Reserves retained from earnings**	**Balance sheet loss**	**Equity**
As of 30/9/2014 / 1/10/2014	**204,517,000.00**	**3,115,460,271.51**	**1,864,811.93**	**-3,289,686,684.82**	**32,155,398.62**
Net profit or loss	0.00	0.00	0.00	0.00	0.00
Capital contributions	0.00	0.00	0.00	0.00	0.00
Capital withdrawals	0.00	0.00	0.00	0.00	0.00
As of 30/9/2015 / 1/10/2015	**204,517,000.00**	**3,115,460,271.51**	**1,864,811.93**	**-3,289,686,684.82**	**32,155,398.62**
Net profit or loss	0.00	0.00	0.00	-9,879,638.19	-9,879,638.19
Capital contributions	0.00	821,252,000.00	0.00	0.00	821,252,000.00
Capital withdrawals					
a) for offset against loss carry-forwards	0.00	-3,287,821,872.89	-1,864,811.93	3,289,686,684.82	0.00
b) for offset against net loss	0.00	-9,879,638.19	0.00	9,879,638.19	0.00
c) for dividends to shareholders	0.00	-450,000,000.00	0.00	0.00	-450,000,000.00
As of 30/9/2016	**204,517,000.00**	**189,010,760.43**	**0.00**	**0.00**	**393,527,760.43**

Dusseldorf, November 8, 2016

Christian Baier Dr. Christoph Kämper Christian Ziggel

The auditor‘s report is a translation of the respective

German-language document.

Auditor’s Report

To METRO Wholesale & Food Specialist GmbH, Dusseldorf

We have audited the annual financial statements, comprising the balance sheet, the income statement, the notes to the financial statements, the cash flow statement and the statement of changes in equity, together with the bookkeeping system, of METRO Wholesale & Food Specialist GmbH, Düsseldorf, for the financial year from 1 October 2015 to 30 September 2016. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting.

Cologne, 8 November 2016
KPMG AG
Wirtschaftsprüfungsgesellschaft
(original German version signed by:)

Lurweg	Mertens
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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21. RECENT DEVELOPMENTS AND OUTLOOK

21.1. Recent Developments

21.1.1. Preparation of the Demerger

On February 6, 2017 and February 10, 2017, the general shareholders' meeting of the Existing Shareholder and the Company each resolved to approve the Demerger Agreement. On February 10, 2017, the general shareholders' meeting of the Company resolved to increase the share capital of the Company from EUR 32,678,752.00 to EUR 36,309,724.00 by issuing 3,601,217 new Ordinary Shares and 29,755 new Preference Shares to implement the Hive-Down. Furthermore and on the same date, the shareholders' meeting of the Company resolved to increase the share capital of the Company from EUR 36,309,724.00 to EUR 363,097,253.00 by issuing 324,109,563 new Ordinary Shares and 2,677,966 new Preference Shares to implement the Spin-Off.

In connection with certain resolutions of the general shareholders' meeting of the Existing Shareholder on February 6, 2017, in particular with respect to the resolution approving the Demerger Agreement but also other resolutions (including the planned change of the Existing Shareholder's legal name to "CECONOMY AG"), several shareholders of the Existing Shareholder, including Convergenta Invest GmbH, have filed the Actions to Set Aside. Moreover, in February and March 2017, several shareholders of the Existing Shareholder filed the Actions for Declaratory Judgement. For details on the Actions, see also *3. "The Demerger and Listing"*.

On March 28, 2017, the Existing Shareholder filed a motion for expedited registration (*Freigabeverfahren*) pursuant to sections 16(3), 125 of the German Transformation Act (*Umwandlungsgesetz*) with the higher regional court (*Oberlandesgericht*) of Dusseldorf claiming that the Actions do not impede the registration of the Hive Down and Spin-off with the commercial register.

By decision of June 22, 2017, the higher regional court (*Oberlandesgericht*) of Dusseldorf held that the Actions to Set Aside do not impede the registrations of the Hive-down and Spin-off with the commercial register. Due to the motion for expedited registration (*Freigabeverfahren*) being inadmissible with respect to the Actions for Declaratory Judgement, the higher regional court (*Oberlandesgericht*) of Dusseldorf rejected the motion partially. Despite this rejection, the competent commercial register is not impeded to register the Hive-down and Spin-off. We envisage that the Hive-down and Spin-off will be registered with the commercial register of the Existing Shareholder on the Registration Date.

21.1.2. Operative Developments

We had a promising start of the third quarter of the financial year ending September 30, 2017: In particular, the sales attributable to our METRO Wholesale segment continued their positive development having increased as compared to previous financial year's period on a like-for-like basis. This development was driven, in particular, by Easter business in April 2017 (vis-à-vis March 2016) which generally had a positive effect on our sales in countries with a predominately Catholic population. Also, our food delivery business continued to perform well. In addition, foreign exchange rate effects, most notably related to the stabilized Russian Ruble, had a positive effect on our sales since March 31, 2017. After a challenging first half of 2016/2017, sales attributable to our Real segment experienced an improvement at the beginning of the third quarter of the financial year ending September 30, 2017, and, on a like-for-like basis, increased as compared to the previous financial year's period underpinned by a strong Easter business in April 2017 as well as certain calendar effects. In addition, the continued growth of our Real online business contributed to this sales development.

21.2. Outlook

We expect the global economy to continue to register below-average growth in 2016/2017. The mature Western European markets are expected to experience a slight weakening of their currently solid growth rates due mostly to the uncertainty surrounding the upcoming exit of the United Kingdom from the European Union. While this may significantly dampen the growth outlook for the United Kingdom, we believe that the impact on the EU member states is likely to remain limited. At the same time, the ongoing low-interest-rate environment is expected to

continue to support growth during the current year. In addition, unemployment is expected to continue to decrease across most of Western Europe, which may further bolster private demand. The specific impacts of geopolitical events, including actions taken by the new US administration and potential impacts on the global or regional economies and consumer climate are, however, difficult to gauge at this point in time.

Following persistently low inflation rates and in part deflationary trends in the recent past, particularly in Western and Central Europe, we expect inflation to accelerate slightly in 2016/2017 as the recent increase in oil prices is beginning to translate into higher price increases after two years in which low energy prices dampened inflation. At the same time, we believe that 2016/2017 is likely to be another period in which food prices increase faster than consumer prices overall.

Against this background, we are targeting, in the mid-term, a low to mid single-digit percentage growth rate of our sales based on the positive trend for our METRO Wholesale segment (on a like-for-like basis) in the last three financial years, the implementation of local value creation plans and the strong growth of our delivery business. In this context, it is our goal to continue increasing the sales shares of our delivery business in the mid-term. Furthermore, also in the mid-term, we aim to increase the customer relevance and sales, on a like-for-like basis, of our retail business, Real, based, among other aspects, on our new "food lover's" concept currently tested in our Real pilot hypermarket in Krefeld, Germany, and evaluated for further (partial) roll-out for suitable Real markets.

Regarding our profitability, it is our goal to retain a stable EBITDA Before Special Items-margin in the mid-term, generally in line with the recent past. To this end, we intend to focus on the continued localization of our business and cost discipline. The envisaged restructuring of our headquarters is expected to also contribute to us maintaining a stable EBITDA Before Special Items-margin in the mid-term. Going forward, we do not expect the level of one-off costs, particularly regarding warehouse and hypermarket closures and other restructuring costs, to remain at the level of our transformation during the last three financial years but to decline significantly. We expect our EBITDA as reported and our EBITDA Before Special Items to converge towards each other in the short- to mid-term. Therefore, we envisage that we will discontinue our separate reporting of one-off costs as special items starting from the financial year ending on September 30, 2018.

Driven by an increased focus on efficiency with respect to capital expenditures, rigorous Net Working Capital management and reduced one-off costs, particularly regarding warehouse and hypermarket closures and other restructuring costs, we target a FCF Conversion exceeding 60% in the mid-term. Within the same period, we also expect annual investments (excluding additions to finance leases as well as mergers and acquisitions) to remain below 2% of our total sales targeting, with respect to METRO Wholesale, savings of approximately 10% as compared to investment-levels in 2015/2016.

We expect our Tax Rate to be below 40% in the mid-term. In this regard, we expect that we will be able to utilize the tax loss carry forward of the Company for corporate tax and trade tax purposes.

All of the foregoing mid-term financial ambitions are based on the assumptions of constant foreign exchange rates and irrespective of any potential portfolio measures.

22. GLOSSARY

Audited Combined Financial Statements	The audited combined financial statements of MWFS Group as of and for the financial years ended September 30, 2016, 2015 and 2014, prepared in accordance with IFRS.
Audited Unconsolidated Financial Statements	The audited unconsolidated financial statements of the MWFS AG as of and for the financial year ended September 30, 2016, prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*).
B2B	Business-to-business.
B2C	Business-to-consumer.
BaFin	German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
Brick and mortar stores	Stationary stores, as opposed to the e-commerce business.
CAGR	Compound annual growth rate.
Capital expenditures	Capital expenditures refer to capitalized expenses used to maintain or upgrade our asset base.
Cash & carry	"Cash & carry" has been defined by Planet Retail (definitions of retail terms/"cash & carries" in the subscription-based "Methodology" section of Planet Retail's website), as a membership-based wholesale format intended for resellers and commercial customers. In contrast to traditional wholesale operators (which typically deliver the goods to the customers, who pay on credit), cash & carry customers serve themselves in the warehouses as in a store and pay for their merchandise at the check-out. The cash & carry warehouse format is tailored to the business needs of B2B customers: it offers a broad assortment of food and non-food products under one roof, available in large quantities and at attractive prices. Cash & carry stores typically have a large warehouse-style layout with advanced loading capabilities. Nowadays, many cash & carry operators (including the Group) also provide product delivery services.
CLCM	Customer-led category management, a process carried out to ensure that our product offerings are tailored to the needs of our B2B customers and is competitively priced. This process involves a detailed review and adjustment of each product category using our knowledge regarding customer preferences gained through our METRO card database.
Click-and-collect	A service whereby a customer can buy or order goods from a store's website and collect them from a local brick and mortar store.
D&O	The Company's directors and officers.
D&O insurance	Directors and officers liability insurance, a liability insurance payable to the directors and officers of a

	company as indemnification for certain damages or advancement of defense costs in the event any such insured suffers such a loss as a result of a legal action (whether criminal, civil, or administrative) brought for alleged wrongful acts in their capacity as directors and officers or against the organization.
Data Warehouse	Our internal management system, the so-called METRO data warehouse. Figures based on our Data Warehouse are statistical and are prepared using a self-reporting customer classification system. For sales figures per customer group (*i.e.*, HoReCa, Trader and SCO), such figures exclude non-strategic product categories (for example, tobacco, petrol, empties (such as returnable bottles or packaging)). Consequently, deviations from financial information as reported in the Combined Financial Statements may occur.
Demerger	The Demerger including the transfer of the MWFS Business by way of a hive-down as per Section 123 (3) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) against a consideration of approximately 1.0% of the shares in the Company (as will exist immediately after completion of the Demerger) to the Existing Shareholder and spin-off for absorption as per Section 123 (2) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) against a consideration of approximately 90.0% of the shares in the Company (as will exist immediately after completion of the Demerger) to the shareholders of the Existing Shareholder.
Demerger Agreement	Agreement governing the Demerger concluded between the Company and the Existing Shareholder on December 13, 2016 and approved of the general shareholders' meeting of the Existing Shareholder and the Company on February 6, 2017 and February 10, 2017, respectively.
E-commerce	Electronic commerce, commonly known as e-commerce, relates to trading in products or services conducted via computer networks such as the Internet. E-commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange, inventory management systems and automated data collection systems. Modern e-commerce typically uses the World Wide Web at least at one point in the transaction's life-cycle, although it may include a broader array of technologies such as e-mail, mobile devices, social networks, etc.
ECJ	European Court of Justice.
EEA	European Economic Area.
Eurozone	The economic and monetary union of the EU member states that have adopted the Euro as their respective official currency.
Financial year 2013/2014	The financial year ended September 30, 2014.
Financial year 2014/2015	The financial year ended September 30, 2015.
Financial year 2015/2016	The financial year ended September 30, 2016.

Financial year 2016/2017	The financial year ending September 30, 2017.
FMCG	Fast moving consumer goods. FMCG as defined by GfK SE, Nuremberg, Germany, for its Panel series includes several food and beverage categories, as well as near-food categories.
FSD	Foodservice distribution relates to a concept for food delivery services, offering direct delivery from a distribution center or dedicated depots at existing warehouse locations. This concept enables us to offer shorter delivery times and thus enhance product freshness, improve the efficiency and quality of our service (mitigating the risk of stock unavailability at a store) and offer our customers wider product assortment by sourcing products in advance in accordance with their specific requirements.
FSMA	Financial Services and Markets Act 2000.
GFSI	The Global Food Safety Initiative, a concept guiding our product quality controls which is aimed at continuous improvement of food safety management systems to ensure the delivery of safe food products to consumers worldwide. GFSI provides a platform for collaboration among some of'the world's leading food safety experts from retailer, wholesaler, producer and foodservice companies, service providers associated with the food supply chain (such as transportation and distribution service providers), international organizations, academia and governments. GFSI's activities are focused on developing processes and procedures designed to ensure food safety during all stages of the food supply chain, from production to transportation, distribution, packaging and storage.
GDP	Gross domestic product.
Group Separation Agreement	Agreement which legally forms part of the Demerger Agreement and which includes provisions for various legal relationships between the parties and their respective group companies after the legal completion of the Demerger.
Hive-Down	Transfer of parts the MWFS Business by way of a hive-down as per Section 123 (3) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) against a consideration of approximately 1.0% of the shares in the Company (as will exist immediately after completion of the Demerger) to the Existing Shareholder.
HoReCa	The customer group relating to hotels, restaurants and catering.
Hypermarkets	According to the definitions used by EHI Retail Institute GmbH, Cologne, Germany, for the German grocery retail market, hypermarkets are retail outlets with a selling space of at least 5,000 sqm and with an offering comprising food and non-food products; for simplification purposes, we refer to all of our Real stores as hypermarkets, since the vast majority fulfills the definition criteria, although some of our stores have a smaller selling area.

IFRS	International Financial Reporting Standards, as adopted by the European Union.
IT	Information Technology, which refers to the application of computers and telecommunications equipment in order to store, retrieve, transmit and manipulate data, often in the context of a business.
LTI Programs	Long term incentive programs granted to, *inter alia*, members of the management board and the supervisory board of the Existing Shareholder which will partly be settled prematurely and partly transferred following the Demerger.
Management Board	Members of the management board of the Company.
METRO Card	Customer card which, with very few exceptions, our customers must generally obtain to access and make purchases at our warehouses. Generally, customer must own, operate or represent a registered business in order to obtain a METRO card. METRO cards provide transparency which enables tracking of customers' purchases and thus customizing product assortments as well as marketing and promotional activities.
Megacities	Megacities are defined by us as the top 50 metropolitan areas ranked by total GDP at constant 2015 purchasing parity prices in USD and with more than 5 million inhabitants and assessed by us based on such criteria and GDP and inhabitants data provided in the Oxford Economics Data (2015 estimates).
Multi-channel	Multi-channel retailing is a concept that focusses on addressing customers through a variety of channels (such as mobile internet devices, computers, brick and mortar stores, radio, mailings, etc.) and offering customers different alternatives regarding the ways in which they can purchase products (for example, in-store purchases, purchases from a website, by telephone or mail order, etc.). Multi-channel retailing strategies aim to maximize revenue and loyalty by offering customers choice and convenience.
NFC	Near field communication, a technology enabling two electronic devices to establish communication by bringing them within 4 cm of each other. One of the devices is usually a portable device such as a smartphone. NFC devices are used in contactless payment systems and allow mobile payment. It is also used for social networking, for sharing contacts, photos, videos or other files.
NPS®	Net promoter scores℠, measured by asking the following question: "On a scale 0-10, how likely is it that you would recommend our company to a friend or colleague?" Respondents answering with 9-10 are counted as promoters, with 7-8 as passives, and 0-6 as detractors. A NPS is then measured as percentage of promoters minus percentage of detractors. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

Operating Model	A new operating model we launched for our wholesale and FSD operations in 2015 centering on the customer and empowering our local companies to develop and implement their individual, bottom-up based value creation plans.
Own brand products	Products manufactured by a third party and offered for sale under the Group's own brands.
SCO	The customer group comprising a wide variety of professional service (S) companies (C) and organizations (O) (for example, service providers, offices and institutions).
Share of wallet	Term used in marketing which refers to the share (percentage) of a certain customer's total spending for a certain product or service that goes to a given company selling such products and services.
SKUs	Stock keeping units. A stock keeping unit is a unique identifier for each distinct product that can be purchased in a business.
SME	Small and medium sized enterprises.
Spin-Off	Transfer of parts of the MWFS Business by way of spin-off for absorption as per Section 123 (2) No. 1 of the German Transformation Act (*Umwandlungsgesetz*) against a consideration of approximately 90.0% of the shares in the Company (as will exist immediately after completion of the Demerger) to the shareholders of the Existing Shareholder.
sqm	Square meters.
STI Programs	Short term incentive programs granted to, *inter alia,* members of the Management Board which will be settled on a *pro rata temporis*-basis following the Demerger.
Supervisory Board	Members of the supervisory board of the Company.
Traders	The customer group comprising convenience stores and other small- and medium-sized retail businesses that resell food and non-food products to the retail market, including forecourt stores.
Unaudited Condensed Combined Interim Financial Statements	The unaudited condensed combined interim financial statements of MWFS Group prepared by the Company as of and for the six-month period ended March 31, 2017, prepared in accordance with IAS 34 (*Interim Financial Reporting*).
VAT	Value added tax. A type of consumption tax that is placed on a product whenever value is added at a stage of production and at final sale.
Wholesale	Wholesale encompasses, on the one hand, our brick and mortar warehouse based food and non-food wholesale format and, on the other hand, our broad range of multi-channel offering, particularly our FSD, our in-store order collection and out-of-store delivery, as well as certain value added services we offer to our B2B customers.

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23. SIGNATURE PAGE

Dusseldorf, London, in June 2017

METRO Wholesale & Food Specialist AG

signed
Olaf Koch

signed
Christian Baier

Merrill Lynch International

signed
Andreas Matthaeus

J. P. Morgan Securities plc

signed
Stefan Weiner