ANNUAL REPORT 2017/18

Consolidated financial statements of METRO AG

WE ARE ON THE MOVE

METRO

METRO IN FIGURES

€ million		2015/16	2016/17[1]	**2017/18[1]**	Change in %
Key financial figures					
Sales development (like-for-like)	%	0.2	0.5	**0.7**	–
Sales (net)		36,549	37,140	**36,534**	–1.6
thereof METRO Wholesale		29,000	29,866	**29,451**	–1.4
thereof Real		7,478	7,247	**7,077**	–2.3
EBITDA excluding earnings contributions from real estate transactions		1,764	1,436	**1,396**	–2.8
thereof METRO Wholesale		1,666	1,413	**1,321**	–6.5
thereof Real		250	154	**143**	–7.0
thereof others/consolidation		–151	–131	**–69**	47.7
Earnings contributions from real estate transactions		153	175	**129**	–26.5
EBITDA		1,918	1,611	**1,525**	–5.3
EBIT		1,219	852	**740**	–13.2
EBT (earnings before taxes)		894	649	**578**	–10.9
Profit or loss for the period		519	345	**348**	0.9
Earnings per share (basic = diluted)	€	1.39[2]	0.89	**0.95**	5.9
Dividend per ordinary share	€	0.00	0.70	**0.70[3]**	0
Dividend per preference share	€	0.00	0.70	**0.70[3]**	0
Cash flow from operating activities		1,173	1,027	**905**	–11.9
Investments		1,007	827	**811**	–2.0
Equity ratio	%	18.3	20.3	**20.5**	–
Net debt		3,051	3,142	**3,165**	–
Employees (annual average by headcount)		156,852	155,082	**152,426**	–1.7
Stores		1,041	1,041	**1,048**	0.7
Selling space (1,000 m^2)		7,377	7,249	**7,152**	–1.3

[1] Includes the figures of the hypermarket business for sale.
[2] Pro-forma disclosure of combined financial statements.
[3] Subject to the resolution of the Annual General Meeting.

CONTENTS

What moves our customers drives us. In our constantly changing world, we also never stand still. This year's annual report therefore bears the title **WE ARE ON THE MOVE.**

TO OUR SHAREHOLDERS

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LETTER TO THE SHAREHOLDERS

Dear Ladies and Gentlemen,

Financial year 2017/18 saw us making significant progress on our way to completely focusing on the wholesale business and we have achieved quite a lot. We have made significant progress in many areas but also had to overcome a number of unexpected challenges. Change and progress are crucial for the future viability of our company. We have come very far in our transformation of METRO AG into a reliable partner for small and medium-sized hospitality and retail businesses. This project will continue, and we look forward to many future achievements with our customers, our partners and our unparalleled team.

During the past financial year, we were able to slightly increase like-for-like sales and EBITDA excluding earnings contributions from real estate transactions adjusted for currency effects also improved a little. We achieved this despite considerable negative macroeconomic volatility in individual markets, such as Russia. The re-evaluation of market conditions in Russia and the inevitable termination of the agreement between Real and Verdi forced us to correct our outlook in April 2018. This was a painful decision that cost us capital market confidence. Thanks to the measures initiated for our Russian business, we were able to prove in the second half of the year that we can tackle and solve concrete problems, which has helped us make progress since.

At the end of the financial year, we decided to sell our hypermarket business. This move constitutes an important step in our project of fully focus ourselves to wholesale. We have put in place the best conditions to give Real a successful, independent future on its own. Besides the Food Lover concept and the strong online presence, securing competitive cost structures was an important, groundbreaking step.

We will propose a dividend of €0.70 per share at the Annual General Meeting of METRO AG. This proposed dividend corresponds to 74% of the earnings per share (€0.95) and thus exceeds the payout ratio of 45% to 55% provided for in METRO's dividend policy. We believe that this is an appropriate deviation that will provide you, dear shareholders, with an attractive dividend yield and dividend continuity following a business year in which we had to adjust our outlook, which has resulted in a negative development of our share price. We want to demonstrate our trust in the future of METRO to you. At the same time, with regard to free cash flow from operating and investing activities as well as net debt in financial year 2017/18 we are in good condition in order to afford such payout. This is also due to the tangible effect of the non-cash-effective goodwill impairment loss at Real on earnings per share. I cordially invite you to our Annual General Meeting on 15 February 2019 in Düsseldorf.

METRO Wholesale

In the wholesale segment, we were able to boost our relevance to independent businesses despite challenging economic conditions. We are continuing our highly pleasing development of the recent past and recording the fifth consecutive year of like-for-like sales growth. Eastern Europe (excluding Russia) and Asia recorded particularly positive developments. We are pleased with the fact that, like-for-like, our core business in Germany grew again in financial year 2017/18. Negative currency effects impair our reported total sales, however.

In financial year 2017/18, we enhanced our profile even further and focused more consistently on the customer groups hotels, restaurants and catering companies (HoReCa) as well as independent traders. By intensifying customer relationships, we were able to significantly increase sales to our recurring customers, especially in the HoReCa sector. This clear focus is paying off. In financial year 2017/18, we achieved like-for-like growth of 3.6% with HoReCa customers, and 4.6% with independent traders[1]. Our food sales increased by 1.9%, which emphasises our clear focus on our primary target groups and reduces our dependency on complementary offers. Our focus on the hospitality sector will continue in the years to come. In this area we see a trend, because the hospitality sector is growing and will offer further potential for our customers and us in the future. Favourable economic conditions and higher incomes are changing consumer behaviour in many countries. Both the importance of nutrition and the willingness and necessity to consume food outside the home are growing steadily. In order to take advantage of this positive trend together with our customers, we provide them with a wide product range and needs-based services as a reliable partner, regardless of whether they purchase the products at our stores, through our delivery service, through our customer management or online. The clear focus on our HoReCa customers is also reflected in the modernisation of our store-based business, as can be seen in the reconstruction of the METRO wholesale store at our home base in Düsseldorf. In order to save hospitality operators time for their purchases, the delivery routes were optimised and the product mix was tailored to meet their needs more efficiently.

[1] Trader countries: Bulgaria, India, Pakistan, Poland, Romania, Serbia, Slovakia, Czech Republic.

As mentioned at the beginning, we faced some challenges with METRO Russia last year. In the meantime, we have instituted a largely new management team of long-standing, highly experienced METRO colleagues in Russia who are correcting these developments. With a new, attractive pricing model, we are once again recording volume gains and a slow improvement in the sales trend. The Russian market strongly features independent traders and we are pushing ahead with the expansion of the Fasol franchise concept, which supports them. As a direct result of that strategy, we were recently able to achieve a significant increase in contracts concluded and shops opened at Fasol. Our goal is to have more than 3,000 franchise stores in Russia by 2020. By bundling administrative processes, we can also save costs. With this wide variety of measures, we feel that we are well positioned to secure additional share in the Traders and HoReCa markets in Russia in the future.

The delivery sales of METRO Wholesale continue to expand very dynamically, showing double-digit growth and accounting for 18% of total sales. Among others, this trend is being invigorated by the delivery specialists Classic Fine Foods in Asia, Pro à Pro in France and Rungis Express in Germany and Switzerland. The expansion of the depot networks and out-of-store delivery in the METRO countries also contributed to this delightful development. Our digitalisation initiatives also have a positive effect. With our M-Shop we offer our customers a platform to quickly and easily order goods from us 24 hours a day, 7 days a week. At this stage, we receive 17% of orders online. The driver app used by drivers in our delivery depots improves processes and increases service levels.

The year 2018 was also marked by the realignment of our own-brand product range. The launch of the new own brands METRO Chef, METRO Premium and METRO Professional has aligned our product range even more closely with the requirements of our customers.

In addition, we have rolled out the Net Promoter Score (NPS), which we use to measure customer satisfaction across all stores. The tool allows us to capture customers‘ precise points of criticism and suggestions for improvement, remove inefficiencies and thus provide the best possible customer value. Ultimately a higher level of customer loyalty also means a higher percentage of recurring customers with increased purchase of goods.

Digitalisation is opening up whole new possibilities for our customers. During the past few years, we have been working tirelessly on identifying new solutions and validating their added value. We have even dedicated an entire business segment to this endeavour: Hospitality Digital. Here, we develop new concepts with our customers, develop our own applications, pilot them in 5 major cities and collaborate with other technology companies to improve our sustainability and economic efficiency by means of digital solutions. Based on the overwhelmingly positive feedback from our customers and the substantial benefits we are creating for them, we have developed a new platform, dish.co. We use this online platform to market our own solutions, such as digital table bookings and tools for creating a website, alongside applications by other companies. It also allows us to convey information and advertise events that help our customers find their bearings in, and take advantage of the digital world. During the past financial year, we were able to retain more than 100,000 customers digitally. We will continue on this path over the coming years and intensely expand our strategy. This will generate significant benefits for our customers, increase our relevance and customer retention, and help us to acquire new customers. Whole new business opportunities are opening up thanks to digitalisation, and we are working hard to use them to our benefit.

Besides the modernisation of our business models, we are designing future product ranges. In March 2018, we successfully launched our innovation hub NX-FOOD, which we use to promote the development and distribution of new food solutions and concepts in the retail and hospitality sector. We are thereby actively shaping the future of the food industry.

Last but certainly not least, we have intensified our sustainability approach. In the course of the financial year METRO SUSTAINABLE enabled us to demonstrate how we operate as a corporation in order to generate added value for our customers without losing track of our objective of managing resources sustainably and exerting a positive impact on society. As a strong, reliable partner for independent companies along the entire value chain, we want to take responsible steps to do more for the people who are passionately committed to their business on a daily basis. Our actions are guided by the Sustainable Development Goals (SDGs) postulated by the United Nations. We are firmly committed to contributing to their achievement through our corporate activities and our corporation as a value-adding part of the society.

The fact that METRO, as a supporter of small and medium-sized companies, understands the needs of its customers is clearly demonstrated by the new international brand campaign. The slogan 'Your Success is our Business' highlights our conception of METRO as always being focused on the success of our customers. The claim can be distilled to a single, essential idea: We don't work for METRO! We work for our many customers to make them successful. In doing so, we support METRO customers from over 20 countries who serve as brand ambassadors of our campaign.

Real

Real has undergone an intense transformation in recent years. With the Markthalle concept, we have introduced a model that our customers enthusiastically welcome. It combines the staging of fresh produce with integrated themed food experiences, targeting all of the customers' senses. In our Krefeld store, we are recording an increase of around 30% in sustainable repeat business. With around 80,000 items, we not only offer an outstanding selection of products that is second to none in the German food retail sector, but we also drive innovation and offer our customers new trendy products. In October 2018, we opened another store in Braunschweig that was based on the same design. A third store in Bielefeld will follow in 2019. In addition, we will install modules from the hybrid concept of the Markthalle in about 12 stores.

The development of the online business at Real has also been gratifying. Together with more than 5,000 partners, Real offers more than 12 million items: the largest assortment in the history of our company. Correspondingly, we enjoy great economic dynamism. The gross merchandise value, for example the gross amount of merchandise ordered via the platform, grew by more than 90% to €380 million in financial year 2017/18. This makes us one of the fastest-growing online marketplaces in Germany. We also want to link our e-commerce activities even more closely with store-based retail. Customers can use the platform Real.de to order items to be sent to their nearest Real store and pick them up at that location. In addition, we are testing the delivery of food ordered online in 15 cities, which would enable us to reach around 13 million households.

We have also begun to rectify the significant competitive disadvantages caused by the high personnel expenses of Real compared to other food retailers. Meanwhile, Real has already hired more than 3,000 new employees under a new, competitive wage structure. Our existing employees will enjoy a grandfather clause and not suffer any wage reduction.

The concept of the Markthalle, the growing online business and competitive cost structures create the prerequisites for an increase in the value of Real. My Management Board colleagues and I decided on 13 September 2018 to initiate a sales process for Real. METRO will focus entirely on the wholesale business. We see great opportunities for economic development in that sector for both Real and METRO Wholesale.

Outlook

Financial year 2017/18 was overall successful. METRO increased like-for-like sales by 0.7% in financial year 2017/18. At €36.5 billion, reported sales were 1.7% lower than in the previous year due to negative currency exchange rate developments. The EBITDA excluding earnings contributions from real estate transactions totalled €1,396 million. Adjusted for currency effects, the EBITDA excluding earnings contributions from real estate transactions was €16 million higher than in the previous year. METRO has achieved its adjusted targets for financial year 2017/18.

The hypermarket business for sale is reported as a discontinued operation as of 30 September 2018 due to the ongoing sales process. The outlook for financial year 2018/19 will refer to continuing operations only.

In financial year 2018/19, we are expecting a total sales growth and increase in like-for-like sales by 1–3%, assuming stable exchange rates and no portfolio adjustments. This growth will be particularly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

For its earnings, METRO expects the EBITDA excluding earnings contributions from real estate transactions to decrease by 2–6% on the figures of reporting year 2017/18 (€1,242 million). This is due to higher investments in the fields of IT and Digital and an anticipated further decrease in earnings in Russia due to the macroeconomic challenges. For all other segments, METRO expects an EBITDA on the previous year's level.

After financial year 2017/18, which has been full of excitement and changes, I would especially like to extend my heartfelt thanks to my colleagues. Through their commitment, METRO has evolved into a modern enterprise, allowing it to focus on its core business, tackle new challenges and think beyond the boundaries of the business model. Through personal customer service, our dedicated employees ensure that our customers are also more satisfied. Our annual employee survey shows that we have made great progress in this area. At 78%, this year marked the highest employee engagement index ever recorded in the history of METRO. The average in the retail and wholesale sector is 63%.

Dear shareholders, after a year filled with challenges I want to express my deepest gratitude for your continued trust and confidence. I can assure you: everything we were able to achieve in financial year 2017/18 is not enough. We will continue to remain inquisitive and work diligently to better serve our customers' needs and build trusting relationships with them. In other words, we will continue to be on the move.

Yours truly,

Olaf Koch
CHAIRMAN OF THE MANAGEMENT BOARD OF METRO AG

THE MANAGE-MENT BOARD

OLAF KOCH

Chairman of the Management Board

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

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

CHRISTIAN BAIER

Chief Financial Officer

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

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

HEIKO HUTMACHER

Chief Human Resources Officer and Labour Director

Areas of responsibility
Human Resources (Campus HR, Compensation, Benefits & International Assignment, Global Talent Management & Recruiting, HR Operations & Leadership, Labour Relations Germany & Labour Law), Corporate Responsibility, Global Business Services, Group Internal Audit, METRO-NOM, METRO SERVICES.

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

PHILIPPE PALAZZI

Chief Operating Officer

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

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

THE YEAR IN REVIEW

SELECTED EVENTS IN FINANCIAL YEAR 2017/18

Q1 2017/18

First Own Business Study
9/10/2017 – The Own Business Day 2017 sees METRO publishing a representative survey that examines entrepreneurship in 10 countries. Around 10,000 persons were interviewed on their experiences with starting a new business.

METRO opens zero-energy wholesale store in St Pölten
25/10/2017 – The concept behind the new wholesale store building in the Austrian town of St Pölten is guided by the notion of sustainability. All construction materials were sourced regionally on the basis of selected environmental standards. A photovoltaic system covers the entire energy consumption of this METRO wholesale store which has a building envelope that meets all the requirements for a nearly zero-energy building.

Q2 2017/18

METRO celebrates 'Year of Own Brands'
1/1/2018 – The repositioning of METRO's range of own-brand products is one of the major events happening in the year 2018. The launch of the new own-brands METRO Chef, METRO Premium and METRO Professional will align the product range even more closely with the requirements of professional customers.

Excellent performance in the area of sustainability
5/2/2018 – RobecoSAM, one of the leading rating agencies in the area of sustainability, honours the sustainability efforts of METRO AG with the gold award in the Food & Staples Retailing category for the third consecutive time.

New Compact Stores in France
13/2/2018 – The French city of Carcassonne sees the opening of the fourth Compact Store which was developed on the basis of a brand-new store concept. The wider product range is complemented by numerous innovative solutions, including a digital shopping list, self-scanning and a virtual showroom.

Change on the Supervisory Board of METRO AG
16/2/2018 – Herbert Bolliger is elected member of the Supervisory Board of METRO AG. The independent business consultant succeeds Mattheus P. M. (Theo) de Raad as a shareholder representative on the Supervisory Board.

NX-FOOD hub established by METRO
2/3/2018 – The NX-FOOD hub is METRO's contribution to the development of new food solutions for the retail, wholesale and hospitality industries. The ideas and concepts are created both internally at NX-FOOD and in cooperation projects with external partners. They range from issues such as food wastage and how to curb it to vertical-farming approaches, sustainable food concepts and innovations for hospitality operators and consumers.

Q3 2017/18

METRO withdraws from future collective agreement with Verdi
20/4/2018 – Following the breakdown of negotiations with Verdi about a dedicated collective salary structure for Real, METRO AG has resolved to pursue its future collective salary arrangements outside of the HDE structures (association of German retailers) and announced its decision to withdraw from the future collective agreement with Verdi. This created the prerequisites for the introduction of competitive salary cost structures.

METRO AG adjusts forecast for financial year 2017/18
20/4/2018 – METRO AG has adjusts its forecast for the group's earnings and revenues for financial year 2017/18. The adjustment reflects the lower- than-planned expectations for the second half-year of financial year 2017/18.

METRO restructures its IT area
1/5/2018 – Commencing on 1 May 2018, the Chief Information and Chief Solution Office and METRO Systems Deutschland GmbH have joined forces under the new name of METRO-NOM. The completely restructured IT area of METRO AG develops innovative IT solutions, such as solutions for METRO's omnichannel business and e-commerce, implements international projects and thereby participates in shaping the digital transformation of the group.

Changes on the Management Board of METRO AG
7/5/2018 – The Supervisory Board of METRO AG appoints Philippe Palazzi to the Management Board and the position of Chief Operating Officer of METRO AG. He succeeds Pieter C. Boone who leaves the company by mutual agreement.

'Your Success is our Business'
28/6/2018 – 'Your Success is our Business' is the claim of METRO's new international brand campaign and seeks to emphasise the group's long-standing commitment to small and medium-sized business operators. The campaign's brand ambassadors are customers from more than 20 countries.

Q4 2017/18

Procurement alliance Horizon International established
2/7/2018 – Horizon International is the name under which Auchan Retail, Casino Group, METRO and Schiever Group have joined forces in a procurement cooperation project that aims at harmonising their mutual supplier relationships.

First transcritical METRO store in Russia
26/7/2018 – The opening of the store in the Moscow suburb of Aparinki sees METRO commissioning its first transcritical refrigeration system in Russia. This cooling system combines the latest highly efficient refrigeration technology with METRO's ambition of minimising its own CO_2 footprint.

METRO PROPERTIES sells part of the real estate portfolio of MAKRO Spain
30/7/2018 – LaSalle Investment Management acquires the wholesale and office spaces of 3 properties in Madrid on behalf of the Encore+ real estate fund. Through a 15-year leasing agreement, MAKRO secures its continued operation with an option to extend.

Best-in-class performance in the Dow Jones Sustainability Index
13/9/2018 – METRO AG is leading the Food & Staples Retailing group in the Dow Jones Sustainability Index for the fourth consecutive time as the best-in-class performer. METRO is distinguished for its environmental, social and economic performance.

Process to find a new owner for Real started
13/9/2018 – METRO starts the process of finding a new owner for Real. After undergoing extensive restructuring and repositioning over recent years, Real has created the prerequisites for an independent future in the German food retail industry.

METRO PROPERTIES sells land parcel in Poland
20/9/2018 – METRO PROPERTIES sells a land parcel in the Polish town of Poznan together with a newly constructed building under a long lease to Corum Asset Management.

METRO PROPERTIES finds new owner for administration building at Albertussee
27/9/2018 – METRO PROPERTIES, the real estate company of METRO AG, supports the endeavour to create more inner-city residential space in Düsseldorf by agreeing to sell the administration building at Albertussee to project developer PANDION.

Global self-commitment regarding the handling of non-recyclable plastics
28/9/2018 – By the year 2025, conventional single-use plastics will be replaced by reusable, recyclable or compostable alternatives. This includes promoting the transition to a closed-circular economy for plastics.

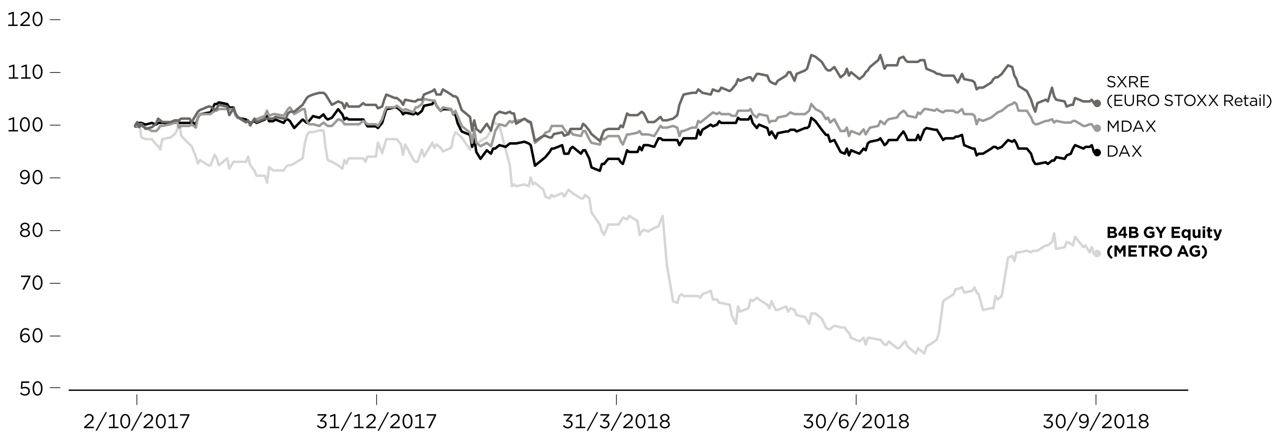
METRO's digitalisation campaign
30/9/2018 – Hospitality Digital, a business unit of METRO AG, has become a provider of digital solutions for the HoReCa segment and now offers hospitality operators a free service to design websites and an online reservation tool. Financial year 2017/18 already saw more than 100,000 new hospitality websites going online.

METRO SHARE

After the capital markets' positive development and growth achieved over the 2017 trading year, the economic conditions took a negative turn during the course of 2018. The increasing uncertainty caused by political and geopolitical risks, especially the trade dispute with the United States, resulted in fluctuations on the stock markets. Financial year 2017/18 saw the DAX falling 5%, from 12,903 to 12,247 points, between 1 October 2017 and 30 September 2018. While the MDAX showed little movement, the EURO STOXX Retail took a similar development as the DAX.

The METRO share finished financial year 2017/18 with a closing price of €13.50 in Xetra trading on the Frankfurt Stock Exchange. This corresponds to a decline of 24%. After a fairly constant price development ahead of the Annual General Meeting in February 2018, the share price started to decline after the adjusted forecast in April and reached its lowest closing price of €10.08 on 26 July 2018. The stock price recovered in the fourth quarter. The preference share traded at €12.61 on 30 September 2018.

DEVELOPMENT OF THE METRO SHARE PRICE (%)



METRO SHARE

			2017/18
Closing price	Ordinary share	€	**13.50**
	Preference share	€	**12.61**
High	Ordinary share	€	**18.00**
	Preference share	€	**17.69**
Low	Ordinary share	€	**10.08**
	Preference share	€	**9.93**
Dividends	Ordinary share	€	**0.70**[1]
	Preference share	€	**0.70**[1]
Dividend yield	Ordinary share	%	**5.2**[1]
based on closing price	Preference share	%	**5.6**[1]
Market capitalisation (billion)		€	**4.9**

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

Data based on Xetra closing prices
Source: Bloomberg

DATA ON THE METRO SHARE

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

Shareholder structure of METRO AG

The shareholder structure has changed in comparison to 30 September 2017 in financial year 2017/18. As at 22 November 2018, the largest shareholders of METRO AG were the indirect shareholders Franz Haniel & Cie. GmbH (15.20% of voting rights), Meridian Stiftung (14.19%), EP Global Commerce (10.91%), Beisheim Holding GmbH (6.56%), and CECONOMY AG (6.39%). According to the notifications of voting rights pursuant to the German Securities Trading Act (WpHG), these 5 shareholders currently hold a total of 53.23% of voting rights.

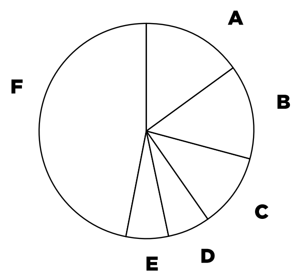
This new structure is the result of multiple notifications of voting rights, which were presented to METRO AG before the publication of its annual report. On 24 August 2018, Daniel Křetínský and Patrik Tkáč notified METRO that they had acquired a claim to transfer 7.3% of shares from Haniel Finance Deutschland GmbH, a fully owned subsidiary of Franz Haniel & Cie. GmbH (Haniel), and a call option for an additional 15.2% of the voting rights, in both cases via the partnership EP Global Commerce GmbH (EPGC II) with registered office in Munich. On 20 September 2018, Daniel Křetínský and Patrik Tkáč notified METRO that they had acquired a claim to transfer 3.61% of voting rights from CECONOMY AG and a call option for an additional 5.39% of the voting rights, in both cases via the partnership EP Global Commerce II GmbH (EPGC) with registered office in Munich. EPGC II is also the obligor of a put option on the part of CECONOMY AG concerning the voting rights in METRO AG that are covered by the call option. On 27 September 2018, 3.61% of the ordinary shares of METRO AG were transferred from CECONOMY AG to EPGC II, which resulted in CECONOMY AG reducing its interest to 6.39% of ordinary shares in METRO AG.

Haniel notified METRO on 4 October 2018 that it now holds 15.2% of voting rights. On 4 October 2018, Daniel Křetínský and Patrik Tkáč served a notification of voting rights and notified METRO that they now hold 10.91% of voting rights in METRO AG via the EPGC and EPGC II partnerships in addition to financial instruments entitling them to the transfer of a further 20.59% of voting rights.

46.76% of METRO AG shares are free-floating and held by a number of national and international investors. The shareholder structure reflects the international distribution of the share capital: Around 12% of shares are held by investors from North America, followed by investors from the United Kingdom and Ireland with 10%, Europe (excluding Germany and UK/Ireland) with 8.5% and Germany with 7.3%.

The largest institutional shareholders are J O Hambro Capital Management Limited with registered office in London (United Kingdom) holding 3.73% and Axxion S.A. with registered office in Grevenmacher (Luxembourg) holding 3.04%. The 10 largest institutional investors hold around 18% of the free-floating shares.

SHAREHOLDER STRUCTURE[1]



	% (rounded)	
A	**15.20**	Haniel
B	**14.19**	Meridian
C	**10.91**	EP Global Commerce
D	**6.56**	Beisheim
E	**6.39**	CECONOMY
F	**46.76**	Free-floating shares
	100.00	

[1] At the time of preparation of the annual financial statement.

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

Market capitalisation and index inclusion

The market capitalisation of METRO AG was €4.9 billion at the end of September 2018. In the time between the initial stock exchange listing and the end of the financial year, a typical trading day at the Frankfurt Stock Exchange in financial year 2017/18 saw an average of 1.1 million of METRO's ordinary shares traded. Around 3,000 of the significantly less liquid preference shares were exchanged on each trading day.

The METRO AG ordinary share is included in a number of indices, most noteworthy the MDAX. The MDAX at that time comprised the 50 largest German corporations with the highest trading volumes below the DAX 30. To include companies previously listed in the TecDAX, the MDAX was extended to 60 titles on 24 September 2018. Its composition is based on fixed selection criteria. In addition to being listed in the Prime Standard and a free float of more than 10%, inclusion in the index depends on the free-float market capitalisation and the stock exchange turnover. As at 30 September 2018, METRO was ranked number 34 in the MDAX in terms of market capitalisation and number 24 in terms of stock exchange turnover.

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

Many investors place a high priority on the issue of sustainability. METRO is fostering the continuous dialogue with sustainability-oriented investors, analysts and rating agencies. METRO AG once again retained its ranking as best-of-class in 2018, both in the internationally significant sustainability index Dow Jones Sustainability World, as well as in the Dow Jones Sustainability Europe. Rating agency Oekom Research issued a prime recommendation for METRO AG in the wholesale category (Trading Companies & Distributors). METRO is also listed in the FTSE4Good index. METRO has been issuing public statements on climate protection and water for many years through CDP. METRO achieved a rating of A– (on a scale from F to A) for both subject areas.

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

METRO has charted the right course with its sustainable business practices.

Dividend and dividend policy

The Management Board and the Supervisory Board will propose a dividend of €0.70 per ordinary share to the Annual General Meeting on 15 February 2019. This proposed dividend corresponds to 74% of the earnings per share of €0.95 and thus exceeds the distribution quota of 45% to 55% provided for in METRO's dividend policy. The intention of the Management Board is to demonstrate the importance of dividend continuity and its confidence in the future of METRO despite the adjusted forecast. The dividend yield on the basis of the closing price on 30 September 2018 is 5.2% for the METRO ordinary share and 5.6% for the preference share.

Analysts' recommendations

23 analysts have regularly published analysis and studies about the METRO share over the course of financial year 2017/18. The METRO share was given a neutral evaluation over the medium to long term by 18 analysts, 3 analysts gave a buy recommendation and 2 analysts a sell recommendation. The median value of share price targets was €12.50 at the end of September 2018.

Grade	Bank	Registered office	Share price target (€)
Buy	equinet	Frankfurt	17.00
	Solventis	Mainz	18.00
	Warburg Research	Hamburg	13.00
Hold	Barclays	London	11.40
	BAML	London	14.00
	Berenberg	London	12.20
	Bernstein Research	London	12.40
	Commerzbank	Frankfurt	15.00
	Deutsche Bank	London	12.00
	Exane	London	12.40
	HSBC	London	14.00
	Invest Securities	London	12.60
	Jefferies	London	11.20
	J.P. Morgan	London	12.50
	Kepler Cheuvreux	Frankfurt	14.40
	LBBW	Stuttgart	12.40
	Macquarie Group	London	17.00
	Morgan Stanley	London	18.00
	ODDO BHF	Paris	11.00
	Raymond James	London	NN
	Société Générale	Paris	12.00
Sell	Baader Bank	Munich	10.00
	DZ Bank	Frankfurt	11.80

Investor Relations

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

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

In addition to the regular quarterly and yearly reporting, the Investor Relations team is also available for personal meetings. Together with the Management Board, the team spent 14 days on roadshows and 11 days attending investor conferences. It also conducted numerous individual and group discussions, store inspections and telephone conferences. In March 2018, METRO invited analysts and investors to a Capital Markets Day in Moscow, aimed at highlighting the challenges and opportunities in this market. METRO's focus on wholesale trade and the group's strategy in Russia and Germany were the main subjects discussed.

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

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

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CORPORATE GOVERNANCE

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REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

The financial year 2017/18 was challenging. However, METRO managed to achieve solid results in a demanding market environment.

The situation in Russia was particularly challenging due to difficult economic and political circumstances. METRO responded to the exacerbated competitive environment by adapting its business model. HoReCa sales increased particularly markedly in Germany, enabling the company to strengthen its profile as a wholesaler and marketplace for the hospitality industry. Overall, considering the circumstances, METRO can be ‘cautiously’ satisfied with financial year 2017/18.

By deciding to search for a new owner for Real who is able to provide better support for the business, the company set the course for becoming a pure wholesaler. Aided by the consistent optimisation of the portfolio and strategic acquisitions, METRO will be able to concentrate on future targets.

Philippe Palazzi, who was appointed to the Management Board in May 2018, started his new role as Chief Operating Officer with a great deal of dynamism and experience. He has been at METRO for many years and is constantly helping to drive the transformation with his expertise, especially in the HoReCa sector. The Supervisory Board is convinced that with Philippe Palazzi and his passion for both our business and our customers’ businesses, METRO will achieve its target of further increasing customer focus.

Let me take this opportunity to give special thank to all employees for contributing to METRO’s success again this year with their commitment. Sometimes, it may appear to our employees that their work is not particularly important for the company as a whole. This could not be further from the truth! Only if everyone masters his or her task with love and perfection will all of the gears mesh perfectly, allowing our METRO to gain further traction.

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

Jürgen B. Steinemann

CHAIRMAN OF THE SUPERVISORY BOARD

Profile

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

ADVICE AND SUPERVISION IN CONSULTATION WITH THE MANAGEMENT BOARD

In financial year 2017/18, the Supervisory Board diligently and prudently performed the duties imposed on it by law, the Articles of Association and the Code of Procedure We advised the Management Board in relation to the management of METRO AG and the group and supervised its activities. The Management Board furnished us with detailed written and verbal information on all essential developments within METRO at the Supervisory Board meetings in a timely fashion and in accordance with the statutory requirements. Its reporting in particular included information on the intended business policies and other fundamental questions relating to corporate planning, as well as the ongoing business development and the situation of the company and the group (including the risk position, risk management and compliance). The Management Board provided detailed explanations for any deviations from planned business performance. Based on the Management Board's reports, we discussed all transactions that were of significance to the company at the Supervisory Board meetings and within the committees. The Supervisory Board was involved in all decisions bearing material significance. These decisions included measures and transactions for which the Supervisory Board's approval was prescribed by law, the Articles of Association or intercompany regulations. We thoroughly reviewed the relevant matters and discussed benefits, potential opportunities, risks and other implications with the Management Board. Managers from the relevant departments of METRO attended meetings to address particular agenda items.

The Supervisory Board approved all matters presented to it by the Management Board for approval. I as the Chairman of the Supervisory Board and Prof. Dr Edgar Ernst as the Chairman of the Audit Committee continuously, closely and regularly exchanged information and ideas with regard to key issues and pending decisions with the Chief Executive Officer and/or the Chief Financial Officer also outside of meetings. Additionally, the Chairman of the Audit Committee, Prof. Dr Edgar Ernst, and myself as the Chairman of the Presidential Committee and the Nomination Committee reported in detail on the work and recommendations of the committees at the occasion of the next meeting of the Supervisory Board. No matters requiring clarification arose and we thus did not make use of the Supervisory Board's rights of inspection and audit pursuant to § 111 Section 2 Sentence 1 and 2 of the German Stock Corporation Act (AktG).

The Supervisory Board held 9 meetings in financial year 2017/18, with one meeting convened as an extraordinary meeting. One resolution was adopted by the Supervisory Board in a written procedure outside of a meeting. The corporate governance report includes the meeting attendances of individual members of the Supervisory Board. No conflicts of interest involving members of the Management Board and the Supervisory Board arose in financial year 2017/18.

KEY ISSUES COVERED BY SUPERVISORY BOARD MEETINGS

November 2017 – In its first meeting in financial year 2017/18, we adopted a resolution concerning the individual performance factors of the members of the Management Board for the purpose of determining the amount of the short-term incentive (STI) for financial year 2016/17 as of the demerger effective date. We also dealt with the remuneration for the members of the Management Board for 2017/18, particularly including a discussion about the individual performance targets. Following recommendation by the Presidential Committee, a resolution for the adjustment of the remuneration system for the Management Board with regard to the short-term incentive was adopted: the previous STI component 'EBIT' was replaced by the component 'EBITDA' and the weighting of all 3 STI components was also adjusted. This adjustment necessitated an update of the declaration of conformity with the German Corporate Governance Code adopted by the Management Board and the Supervisory Board in September 2017, for which we have also adopted a resolution Other agenda items at the meeting of the Supervisory Board concerned information about the status of the investigations conducted by the public prosecutor's office in relation to alleged insider trading and market manipulation, information about METRO's sustainability initiatives, as well as information about relevant changes in the law. We further received information about the group's governance functions. The Management Board provided information about the new segment reporting as of financial year 2017/18, which requires income from real estate to be reported separately, divided into the segments METRO Wholesale Germany, METRO Wholesale Western Europe (excluding Germany), METRO Wholesale Russia, METRO Wholesale Eastern Europe (excluding Russia), METRO Wholesale Asia and Real. This structure was in part already implemented in December 2017 for the reporting for financial year 2016/17 and implemented fully with the quarterly reporting for financial year 2017/18.

December 2017 – Our Supervisory Board meeting held on 7 December 2017 focused on the annual and consolidated financial statements for financial year 2016/17, the combined management reports for METRO AG and for the group for 2016/17, the Management Board's proposal for the appropriation of the balance sheet profit to the

Annual General Meeting 2018 as well as the Management Board's report on relations with affiliated companies in financial year 2016/17. The auditor attended this meeting. and reported on the key findings of his audits. Another focus area of the meeting was – against the background of the continuing development of METRO's governance structure – a discussion about an amendment to the Code of Procedure for the Management Board. We also discussed the new segment reporting. Other important subjects discussed at the Supervisory Board meeting in December 2017 were, in addition to the ordinary report by the Management Board about the current business development, the adoption of a resolution concerning the report of the Supervisory Board and the corporate governance report for financial year 2016/17, as well as the preparation of the Annual General Meeting 2018. We were also provided with information about changes on top management level by the Chief Human Resources Officer and Labour Director.

A resolution concerning the amendment of the Code of Procedure for the Management Board as well as the resolutions to be proposed to the Annual General Meeting of METRO AG on 16 February 2018 were adopted outside of a meeting, as was already discussed in the meeting on 7 December 2017.

February 2018 – In a meeting held immediately before the Annual General Meeting on 16 February 2018, the Management Board provided information about the current business development and changes on top management level. As a precautionary measure, the Supervisory Board adopted a resolution granting power of attorney to a law firm, in particular in relation to potential actions for rescission and/or annulment against resolutions adopted by the Annual General Meeting 2018. Subject to the election of the auditor by the Annual General Meeting 2018, we approved the audit assignments for the annual financial statements and the consolidated financial statements of METRO AG as to 30 September 2018, the combined management report for METRO AG and the group for financial year 2017/18. Subject to the election of the auditors, we also approved the assignment for an audit review of the abridged interim consolidated financial statements as of 31 March 2018 and the interim consolidated management report for the period from 1 October 2017 to 31 March 2018. We were also provided with an update about the investigations conducted by the public prosecutor's office and information about the completed audit of OTC derivatives contracts pursuant to § 20 of the German Securities Trading Act (WpHG, old version).

A further meeting was held immediately after the Annual General Meeting, at the end of which the office terms of Mattheus P. M. (Theo) de Raad and all employee representatives on the Supervisory Board of METRO AG expired. For this reason, the succeeding and/or re-elected members of the Supervisory Board elected Mr Werner Klockhaus to the office of the Vice Chairman of the Supervisory Board. The Supervisory Board also agreed on the members to be appointed to the committees. The members of the Audit Committee elected their Chairman and Vice Chairman.

May 2018 – The extraordinary meeting of the Supervisory Board on 7 May 2018 discussed the implications of the ad hoc press release published by the company on 20 April 2018. Following intense discussions, we have – following the recommendation by the Presidential Committee – resolved to terminate the appointment of Pieter C. Boone to the Management Board with effect as to the end of 7 May 2018. The Supervisory Board also resolved to appoint Philippe Palazzi to the Management Board of METRO AG for the period from 7 May 2018 to 30 September 2021. In relation to this matter, we also approved the employment agreement for Philippe Palazzi and adopted the corresponding adjustment of the assignment of responsibilities for the Management Board.

The ordinary meeting held on 14 May 2018 concerned routine issues, such as information about the current business development. We further received a progress report concerning investments made. Against the background of the changes to the benchmarking index that is relevant to METRO (MDAX), we were provided with information about the implications of the 'total shareholder return' component that is part of the long-term incentive of the Management Board's remuneration. We also examined the effects of the CSR Directive Implementation Act on METRO. Another agenda item was leadership at METRO, in which we discussed talent management and management succession planning.

In a Supervisory Board strategy meeting spanning over 3 days from 28 to 30 May 2018, the Management Board and Supervisory Board discussed the corporate strategy of METRO together with internal executives and external guests. In particular, the vision and mission of the company, its sales lines, strategy, growth drivers, competitors and market shares and the main challenges facing the METRO group were discussed.

The participants of the meeting also talked about staff concerns of the Management Board. Firstly, this involved the resolution concerning the termination agreement with Pieter C. Boone; the Supervisory Board approved the presented agreement. Another subject discussed by the Supervisory Board were the individual performance targets to be determined for Philippe Palazzi for the remainder of financial year 2017/18.

July 2018 – The Management Board opened the meeting by offering a report about the current business development. In light of the CSR Directive Implementation Act and the non-financial reporting prescribed in it, we resolved to instruct KPMG with an external evaluation pursuant to § 111 Section 2 Sentence 4 of the German Stock Corporation Act (AktG), which is to take the form of a limited assurance engagement. We were further informed about the current state of affairs concerning the variable remuneration components for the Management Board and discussed the interim results for the degree of target attainment achieved in financial year 2017/18 by the individual members of the Management Board.

September 2018 – Following information of the Management Board about the latest changes in the share ownership structure of METRO AG and the progress made in the sale of Real, we approved the draft budget from financial year 2018/19 presented by the Management Board at our last meeting in financial year 2017/18 as well as the mid-term planning. Resolutions were also adopted with regard to the performance targets for the short-term incentives in financial year 2018/19 for the members of the Management Board and the declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG). We were also given a progress report about investments made. We further adopted a resolution about the diversity concept for the composition of the Management Board and the Supervisory Board. We concluded the meeting by reviewing the efficiency of our work as a corporate body. This efficiency assessment was based on a questionnaire prepared in-house.

WORK IN THE COMMITTEES

For the purpose of effectively performing its duties, the Supervisory Board relies on the work of 4 committees: the Presidential Committee, the Audit Committee, the Nomination Committee and the Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act (MitbestG). The committees prepare the board-level consultations and resolutions. In addition, also decision-making responsibilities were transferred to the committees within the legally allowed parameters. The respective Chairmen of the committees report to the Supervisory Board regularly and comprehensively with regard to the work in the committees. The work of the committees is described in detail in the annual declaration on corporate management pursuant to § 289f and § 315d of the German Commercial Code (HGB). This declaration as well as information about the current members of the Supervisory Board can be found on the website www.metroag.de in the section Company – Corporate Governance.

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

Date: 7 December 2018

Presidential Committee – The Presidential Committee is mainly concerned with the personnel issues of the members of the Management Board and monitors compliance with legal regulations and the application of the German Corporate Governance Code. In accordance to § 107 Section 3 Sentence 4 of the German Stock Corporation Act (AktG), the Presidential Committee passes resolutions on urgent matters and matters submitted to it by the Supervisory Board. The Presidential Committee held 5 meetings in financial year 2017/18, one meeting was convened as an extraordinary meeting. One of the key areas of the work in the committee was the preparation of the resolutions to be adopted by the Supervisory Board with regard to the appointment of Philippe Palazzi to the Management Board of METRO AG and with regard to the consensual departure of Pieter C. Boone from the Management Board with effect as to the end of 7 May 2018. In preparation of the Supervisory Board meeting, the committee prepared the individual and strategic performance targets for the members of the Management Board for financial year 2017/18, as well as the targets of the short-term incentive for financial year 2018/19. Further issues addressed by the Presidential Committee included corporate governance at METRO, including the corporate governance report for financial year 2017/18 and the preparation of the declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG). In discussing the issue of leadership at METRO, the Presidential Committee learned about the development of the talent management system used by METRO for the promotion of selected executives. The Presidential Committee was also informed about the system for internal succession planning on various levels.

Audit Committee – The Audit Committee is responsible for supervising the company's accounting, accounting processes, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the annual financial statements (in particular relating to the selection and independence of the auditor and any additional performances rendered by the auditor) as well as compliance. 6 committee meetings were held in financial year 2017/18. The CFO, the CEO and I as the Chairman of the Supervisory Board attended all meetings. The auditor and managers of the relevant departments of METRO were consulted on selected issues.

The Audit Committee prepared the meeting of the Supervisory Board in December 2017 and conducted an in-depth review of the annual and consolidated financial statements for financial year 2016/17, the combined management report of METRO AG and the METRO AG group for financial year 2016/17 as well as the report of the Management Board on relations with affiliated companies. The results of the audit were discussed by the Supervisory Board in the presence of the auditor. This formed the basis for the Audit Committee informing the Supervisory Board about the concrete resolutions proposed by the committee; these included, in particular, the recommendation to approve the annual and consolidated financial statements for financial year 2016/17 and to approve the Management Board's proposal to the Annual General Meeting 2018 on the appropriation of the balance sheet profit. The members of the Audit Committee discussed the quarterly statement and the half-year financial report for financial year 2017/18 prior to their respective publication.

The Audit Committee also prepared the audit engagements for financial year 2017/18 and considered the auditor's planning of the audit and the key audit areas. In all meetings, the committee obtained information about so-called non-audit performances of the auditor and approved instruction of the auditor with a non-audit performance in one case. The committee intensively examined the governance functions within the group (internal control systems, risk management system, internal audit and compliance), the draft budget presented by the Management Board, the group controlling plan and the audit plan prepared by the internal audit unit. The Audit Committee further requested information about significant projects and legal issues; these particularly included the legally required ongoing development of European and international accounting standards, accounting-related changes and an evaluation of the ensuing implications for METRO. The Audit Committee further discussed issues relating to the General Data Protection Regulation and was informed about the progress made with regard to the corresponding implementation measures at METRO. The Audit Committee further prepared the non-financial reporting by the Supervisory Board and requested information about the progress made with regard to the implementation and the content of the publication.

Nomination Committee – The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board's election proposals to the Annual General Meeting. In financial year 2017/18, 2 committee meetings were held for the purpose of preparing an election proposal to the Annual General Meeting 2018, with one meeting conducted over the telephone.

Mediation Committee – The Mediation Committee formulates proposals for the appointment and dismissal of members of the Management Board in cases pursuant to § 31 of the German Co-determination Act (MitbestG). The Mediation Committee did not convene a meeting in financial year 2017/18.

CORPORATE GOVERNANCE

The Management Board and the Supervisory Board report about the corporate governance of METRO in the corporate governance report for financial year 2017/18. Together with the declaration on corporate management pursuant to § 289f of the German Commercial Code (HGB) and § 315d of the German Commercial Code (HGB), the report is also published in the section Company – Corporate Governance of the website www.metroag.de.

In September 2018, the Management Board and the Supervisory Board of METRO AG issued their declaration of conformity with regard to the recommendations of the Government Commission on the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and published the declaration of conformity on the website www.metroag.de. The full declaration is further reprinted in the corporate governance report 2017/18 and in the declaration on corporate management.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft has reviewed the consolidated financial statements for financial year 2017/18 submitted by the Management Board in accordance with the International Financial Reporting Standards (IFRS) and has given its unqualified approval. The same applies to the annual financial statements 2017/18 of METRO AG prepared in accordance with the regulations of the German Commercial Code (HGB) and the combined management report for METRO AG and the METRO AG group. The auditor provided a written report on the findings.

The documents for the annual financial statements and the audit reports were discussed and reviewed in great detail during the meeting of the Audit Committee on 6 December 2018 and in the Supervisory Board meeting on

7 December 2018 in the presence of the auditor. Prior to these meetings, the required documents were distributed to all members of the Audit Committee as well as the Supervisory Board, giving them sufficient time to review them. In both meetings, the auditor reported about the key findings of his audit and was at the Supervisory Board's disposal to answer questions and provide additional information also in the absence of the Management Board.

KPMG also provided information on services rendered in addition to auditing services. No issues resulting in a disqualification due to bias arose. Based on our own review of the annual financial statements, the consolidated financial statements and the combined management report for financial year 2017/18, we had no objections and the Supervisory Board approved the result of the audit. We have endorsed the annual financial statements and the consolidated financial statements submitted by the Management Board. The Annual Financial Statement of METRO AG is thus released. Following a careful own review and consideration of the interests involved, we endorsed the Management Board's proposal to the Annual General Meeting 2019 for the appropriation of the balance sheet profit.

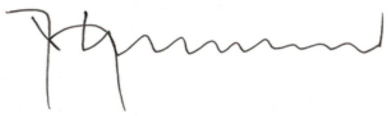
APPOINTMENTS AND RESIGNATIONS

The office terms of Mattheus P. M. (Theo) de Raad and all employee representatives on the Supervisory Board of METRO AG expired at the end of the Annual General Meeting of METRO AG held on 16 February 2018. The succeeding employee representatives had already been elected by the assembly of delegates on 6 February 2018; the representative of the shareholders was elected by the Annual General Meeting on 16 February 2018.

Susanne Meister, Dr Angela Pilkmann, Angelika Will, Silke Zimmer, Werner Klockhaus, Thomas Dommel, Michael Heider, Xaver Schiller and Manfred Wirsch were re-elected to the Supervisory Board as members representing the employees. Stefanie Blaser is a new member elected to the Board. She takes the place of Andreas Herwarth, who resigned from the Supervisory Board of METRO AG at the end of the Annual General Meeting of METRO AG on 16 February 2018. Mr Herbert Bollinger was elected by the Annual General Meeting 2018 to the Supervisory Board of METRO AG as a member of the Board representing the shareholders.

Düsseldorf, 7 December 2018

The Supervisory Board



JÜRGEN B. STEINEMANN
Chairman

CORPORATE GOVERNANCE REPORT

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

The Management Board and the Supervisory Board of METRO AG are firmly committed to the principles of transparent, responsible and value-based management and supervision. The standards of good corporate governance are afforded a high priority. Against this background, the Management Board and the Supervisory Board of METRO AG gear their actions to the relevant valid recommendations of the German Corporate Governance Code.

Implementation of the German Corporate Governance Code

During financial year 2017/18, the Management Board and the Supervisory Board of METRO AG discussed the implementation of the recommendations of the German Corporate Governance Code in detail and issued the following declaration pursuant to § 161 of the German Stock Corporation Act (AktG) in September 2018:

'The Management Board and the Supervisory Board of METRO AG declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Federal Gazette dated 7 February 2017 have been complied with since the previous declaration of conformity in September 2017, with one exception:

As already described in the update to the declaration of conformity of 14 November 2017, the Supervisory Board of METRO AG in its meeting on 14 November 2017 approved to adapt the remuneration system for members of the Management Board in relation to the components of the short-term performance-based remuneration (short-term incentive, STI) and their weighting. The former STI component 'exchange rate-adjusted earnings before interest and taxes (EBIT)' was replaced by the component 'exchange rate-adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)'. As the target settings of the other STI components, the target setting of this component was, without any changes, taken from the budget for financial year 2017/18 approved by the Supervisory Board in September 2017. Furthermore, the 3 STI components were weighted as follows: (1) like-for-like sales growth at 40%, (2) EBITDA at 40% and (3) exchange rate-adjusted return on capital employed (RoCE) at 20%.

With the adaptions, to a major extent, the same KPIs were used for incentivising the members of the Management Board with a short-term performance-based remuneration, as for the steering of the company and the capital market prognosis of METRO. The adaptations had retroactive effect as of the beginning of financial year 2017/18 (from 1 October 2017 to 30 September 2018). The current employment contracts with the members of the Management Board were amended accordingly.

The amendment of the existing remuneration system in the course of the financial year and the respective adaption of the employment contracts of the members of the Management Board caused a deviation from the recommendation in Clause 4.2.3 sec. 2 Sentence 8 of the German Corporate Governance Code. According to this recommendation, a subsequent amendment of the performance targets or comparison parameters shall be excluded with regard to the variable components of the Management Board remuneration.

The Management Board and the Supervisory Board of METRO AG intend to fully comply with the recommendations of the Government Commission in the version dated 7 February 2017 without exception in the future.'

METRO AG has made this declaration pursuant to § 161 of the German Stock Corporation Act (AktG) and previous declarations of conformity with the Code permanently accessible on the website www.metroag.de.

In addition to recommendations, the German Corporate Governance Code contains suggestions. METRO AG follows these suggestions of the German Corporate Governance Code, with the exception of the suggestion offered in Section 2.3.3, which proposes to enable shareholders to follow the Annual General Meeting via contemporary communication media, such as the internet. In financial year 2017/18, METRO AG decided to only broadcast the speech by the Chairman of the Management Board via the internet. This practice will be continued in the future.

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

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

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

In accordance with the stipulations of the German Co-determination Act (MitbestG), the German Stock Corporation Act (AktG) and the company's Articles of Association, the Supervisory Board of METRO AG consists of 10 shareholder representatives and 10 employee representatives. In addition, women and men each hold at least 30% of the seats on the Supervisory Board. The Supervisory Board appoints the members of the Management Board, provides advice to the Management Board and continuously monitors its corporate management, including with regard to the attainment of long-term corporate objectives. The Management Board involves the Supervisory Board in the planned development of METRO and in decisions concerning important measures. In addition to its statutory approval obligations, the Supervisory Board has determined its own approval requirements for certain actions and business dealings of the Management Board.

— **For more information about members of the Management Board and Supervisory Board, see the notes to the consolidated financial statements of METRO AG in no. 56 – Corporate Boards of METRO AG and the mandates of their members.**

— **The Codes of Procedure of the Management Board, Supervisory Board and Audit Committee can be found on the website www.metroag.de/en in the section company – corporate governance.**

— **The modes of operation of the Management Board and Supervisory Board, the composition and functions of the Supervisory Board committees and information on key corporate management practices and the diversity concept are described in the annual declaration on corporate management pursuant to § 289f and § 315d of the German Commercial Code (HGB). The declaration on corporate management for this financial year is available on the website www.metroag.de/en in the section company – corporate governance. Previous declarations of conformity pursuant to § 161 of the German Stock Corporation Act (AktG) can also be downloaded from the website.**

Objectives for the composition of the Management Board

The fundamental qualification criteria for candidates considered for appointment to the Management Board are their professional qualifications for the respective area of responsibility, leadership quality, previous performance as well as knowledge about the company and its business model. The Supervisory Board understands diversity as a qualification criteria that manifests itself in different, mutually complementary profiles, (educational and professional) backgrounds, nationalities, a mixed age structure and representation of both genders on the Management Board.

The objective of this diversity concept is to achieve a composition of the Management Board that ensures that its members have the necessary knowledge, expertise and professional experience that allow the entire Management Board to manage and steer the company in the best possible way.

The Supervisory Board has postulated the following objectives:

- Each member of the Management Board must have solid general qualifications and be capable of helping the company address its current situation and future challenges.
- The members of the Management Board should come from different educational and/or national backgrounds.
- The members of the Management Board should complement each other with regard to their expertise and knowledge. All members of the Management Board should have expertise and experience in retail, food, supply chain, sustainability and digitalisation.
- The composition of the Management Board should adequately represent the internationality of METRO AG.
- All members of the Management Board should have long-standing management experience.
- The Management Board should have a mixed age structure.
- The ordinary office term of a member of the Management Board should not extend past the member reaching the age of 65 (standard retirement age).
- The Company intends to appoint at least one female member to the Management Board by 30 June 2022.

The Supervisory Board determines the size of the Management Board, the appointment of members to the Management Board, as well as the identification of suitable candidates in the best interest of the Company and in consideration of all circumstances in the respective individual case. In doing so, the Supervisory Board and its Presidential Committee adhere to the diversity concept for the composition of the Management Board and the objectives. The diversity concept for the Management Board also serves as the foundation for long-term succession planning.

The current composition of the Management Board satisfies the diversity concept and achieves the objectives. In addition to being individually qualified for performing their respective responsibilities, the members of the Management Board also come from different educational and/or professional backgrounds. The necessary expertise and experience in the areas of relevance for METRO is assured. There are in particular no gaps in the members' skills, but rather overlapping skills, which sustainably promotes the performance of the Management Board as a team. All members of the Management Board have long-standing management experience. The fact that 2 of the 4 members of the Management Board previously held high-ranking management positions in other countries over substantial periods also adequately represents the internationality of METRO. The age of the members of the Management Board in financial year 2017/18 spans from 41 to 60 years; no office extends past the age of 65. The Company intends to appoint at least one female member to the Management Board by 30 June 2022; there is currently no female member appointed to the Management Board.

Objectives for the composition of the Supervisory Board

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

This requires the composition of the Supervisory Board to assure the qualified supervisory and advisory functions required under the German Stock Corporation Act and the German Corporate Governance Code. The Supervisory Board understands diversity as a qualification criteria for the members of the Supervisory Board in such a way that the members should complement each other with regard to their age, (educational and professional) background, experience and skills in such a way that the overall corporate body will benefit of the largest possible pool of experience and the broadest possible spectrum of expertise.

This diversity concept aims at achieving a composition of the Supervisory Board that is in the best interests of the company, takes all circumstances of the individual case into account and enables the Supervisory Board as the supervisory corporate body to supervise and advise the Management Board in the best possible way.

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

- The members of the Supervisory Board should complement each other with regard to their age, (educational and professional) background, experience and skills in such a way that the overall corporate body will benefit of the largest possible pool of experience and the broadest possible spectrum of expertise.
- An adequate number of the members of the Supervisory Board should have international experience or expertise.
- The statutory gender quota of 30% is proposed to be met by both shareholder representatives as well as employee representatives. It follows that at least 3 of the members of the Supervisory Board on each side should be female.
- In accordance with Section 5.4.2 of the German Corporate Governance Code, at least 12 of the Supervisory Board's 20 members must be independent office holders, with at least 6 of them being shareholder representatives.
- At least one member of the Supervisory Board must meet the requirements for being appointed chairperson of the Audit Committee. Pursuant to the Code of Procedure of the Audit Committee, the committee chairperson must be independent and possess professional expertise in the areas of accounting and auditing of annual financial statements, as well as internal control measures (financial expert). The other committee members should possess adequate professional expertise and experience in these areas. Ideally, one member of the Audit Committee should have special expertise in the field of compliance.
- To prevent potential conflicts of interest, members of the Supervisory Board of the company must not assume board functions, consulting tasks or memberships on the supervisory boards of German or international, direct and material competitors.
- The ordinary maximum office term for members of the Supervisory Board is 10 years. The ordinary office term for shareholder representatives appointed to the Supervisory Board is 3 years. The Supervisory Board determines exceptions from the ordinary criteria at its own dutiful discretion on a case-by-case basis.
- As a general rule, only candidates who are not older than 65 years at the time of their initial election should be proposed for their first election to the Supervisory Board. As a general rule, only candidates who are not older than 71 years at the time of their election should be proposed for being elected a member of the Supervisory Board. The Supervisory Board determines exceptions from the ordinary criteria at its own dutiful discretion on a case-by-case basis.

The current Supervisory Board members represent a balanced composition: All members of the Supervisory Board contribute their manifold specific expertise to the work in the committees. They complement each other with regard to their age, (educational and professional) backgrounds, experience and skills. Several members of the Supervisory Board have international expertise and/or experience. The Supervisory Board currently includes 5 female office holders on the part of the employee representatives and 4 female officeholders on the part of the shareholder representatives (as of: November 2018). The current composition of the Supervisory Board also satisfies the objective in terms of the number of independent members of the Supervisory Board and shareholder representatives. The objectives in terms of the chairperson and the members of the Audit Committee have also been satisfied. This committee's independent Chairman is Prof. Dr Edgar Ernst. None of the members of the Supervisory Board of METRO AG holds an office in a corporate body of or an advisory function for a substantial direct competitor, neither is any of them a member of such a company's supervisory board. The ordinary maximum term, the ordinary term of office for shareholder representatives and the ordinary retirement age are stipulated in the Code of Procedure of the Supervisory Board. Currently, due to the transition of the remaining office terms at the former METRO AG (now: CECONOMY AG), 3 shareholder representatives have been appointed for more than 3 years. To improve the staggered arrangement of the terms of office, 3 members representing the shareholders were appointed for a limited term of only 2 years. No member of the Supervisory Board has reached the ordinary maximum office term. 1 current member of the Supervisory Board, who was a member of the Supervisory Board of the former METRO AG, was older than 65 years of age, namely 71 years of age, at the time of his (initial) election to the Supervisory Board of the new METRO AG; he had not reached the ordinary retirement age at the time of his initial election to the Supervisory Board of the former METRO AG.

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

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

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

Independence of shareholder representatives appointed to the Supervisory Board

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

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

DISCLOSURE OF INDIVIDUAL ATTENDANCE AT MEETINGS[1]

Supervisory Board	Meeting attendance	Attendance in %
Jürgen B. Steinemann, Chairman	9/9	100
Werner Klockhaus, Vice Chairman	9/9	100
Stefanie Blaser (since 16/2/2018)	6/6	100
Herbert Bolliger (since 16/2/2018)	4/6	67
Gwyn Burr	7/9	78
Thomas Dommel	9/9	100
Prof. Dr Edgar Ernst	8/9	89
Dr Florian Funck	8/9	89
Michael Heider	9/9	100
Andreas Herwarth (until 16/2/2018)	3/3	100
Peter Küpfer	9/9	100
Susanne Meister	9/9	100
Dr Angela Pilkmann	9/9	100
Mattheus P. M. (Theo) de Raad (until 16/2/2018)	3/3	100
Dr Fredy Raas	9/9	100
Xaver Schiller	7/9	78
Eva-Lotta Sjöstedt	9/9	100
Dr Liliana Solomon	7/9	78
Alexandra Soto	8/9	89
Angelika Will	9/9	100
Manfred Wirsch	7/9	78
Silke Zimmer	9/9	100
Total		**93**

Presidential Committee	Meeting attendance	Attendance in %
Jürgen B. Steinemann, Chairman	5/5	100
Werner Klockhaus, Vice Chairman	5/5	100
Xaver Schiller	4/5	80
Dr Liliana Solomon	5/5	100
Total		**95**

Audit Committee	Meeting attendance	Attendance in %
Prof. Dr Edgar Ernst, Chairman	6/6	100
Werner Klockhaus, Vice Chairman	6/6	100
Thomas Dommel (since 16/2/2018)	3/3	100
Dr Florian Funck	6/6	100
Andreas Herwarth (until 16/2/2018)	3/3	100
Dr Fredy Raas	6/6	100
Xaver Schiller	4/6	67
Total		**81**

Nomination Committee	Meeting attendance	Attendance in %
Jürgen B. Steinemann, Chairman	2/2	100
Gwyn Burr	2/2	100
Prof. Dr Edgar Ernst	2/2	100
Total		**100**

[1] Only includes meetings held during a member's term on the Supervisory Board or a committee.

Compliance and risk management

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

METRO's risk management forms another integral component of our value-based management. This takes the form of a systematic, group-wide process that assists the management team – in accordance with the principles of good corporate governance – in responsibly identifying, assessing and managing risks and opportunities. As such, risk and opportunity management form a unity.

— **For more information about the subjects of compliance and risk management, see the combined management report – risk and opportunity report – as well as the declaration on corporate management pursuant to § 289f and § 315d of the German Commercial Code (HGB).**

Transparent corporate management

Transparency is an essential element of good corporate governance. The website www.metroag.de is an important source of information for the shareholders of METRO AG, the capital market and the general public. In addition to a variety of information on METRO, the site offers our shareholders, all actors on the capital markets and interested members of the public the opportunity to download the financial reports of METRO AG, investor news, ad hoc statements and other legal notices. METRO AG publishes the dates for the most important recurring publications and events (announcements of sales results, reports as well as quarterly statements and half-year reports, annual results press conferences and annual general meetings) in a financial calendar on its website. The timing of the publication allows for a reasonable lead time. The website also offers information published at the occasion of current events, such as the annual press conference, roadshows, investor conferences and information events.

Transactions by executives for own account

Pursuant to Article 19 of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation), members of the Management and Supervisory Boards, in their capacity as persons discharging managerial responsibilities, must inform METRO AG of any transactions involving their own METRO shares, METRO bonds or related financial instruments. This notification requirement also applies to persons closely associated with members of these corporate bodies.

— **Notifications concerning transactions by executives for own account during financial year 2017/18 have been published on the website www.metroag.de in the section investors – legal announcements.**

Annual General Meeting

The shareholders of METRO AG exercise their rights and potential voting rights at the Annual General Meeting. To help shareholders exercise their individual rights at the Annual General Meeting, METRO AG makes the meeting agenda as well as other documents and information for each Annual General Meeting available for download at www.metroag.de/en.

Shareholders may elect to exercise their voting rights at the Annual General Meeting in person or alternatively appoint a proxy of their choosing or a proxy of the Company who is bound by instructions (proxy voting).

In the interest of shareholders, the chairperson of the Annual General Meeting, in most cases the chairperson of the Supervisory Board, ensures that the Annual General Meeting is conducted efficiently and effectively. The objective is to conclude an ordinary METRO AG Annual General Meeting after no more than 4 to 6 hours.

Audits 2017/18

On 16 February 2018, the Annual General Meeting of METRO AG elected KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) as auditors for the financial statements and consolidated financial statements for financial year 2017/18.

The Supervisory Board’s instructions to perform an audit of the annual financial statements considered the recommendations contained in Section 7.2 of the German Corporate Governance Code.

Gereon Lurweg is the auditor for the financial statements and consolidated financial statements and the combined management report of METRO AG in 2017/18.

— **Comprehensive details concerning the deliberations in the Audit Committee and the Supervisory Board with regard to certain aspects of the audit can be found in the report of the Supervisory Board.**

GOALS AND STRATEGY

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GOALS AND STRATEGY

METRO

As a leading international specialist in the food wholesale and retail industry, METRO sees itself as a responsible partner along the entire value chain committed to its customers' success and satisfaction every day. Our strategy aims to achieve long-term stable growth in like-for-like sales and earnings. To ensure that we remain relevant to our customers and successful in the long term, we have set ourselves the goal of differentiating us from our competitors in the food and hospitality industries by continuing to develop our business model and by strengthening our focus on the customer. Our sustainability principles play a major role in this endeavour. We do not limit our actions to merely ensuring the transactional satisfaction of our customers while they are shopping: to intensify all aspects of our relationship with our customers, we continue to expand our range of comprehensive services designed to assist our customers in achieving success. The opportunities that emerge from the digitalisation also play a major role.

Customer focus and customer satisfaction are essential elements of our strategy. The Net Promoter Score has now been introduced across all stores and allows us to continuously measure and resolutely improve our customers' satisfaction. Besides the purely quantitative measurement of the current satisfaction values, suggestions from customers can be systematically recorded and evaluated. These data can be used to identify additional potentials for improving the shopping experience which are then reflected in, among other things, the design of our stores or assortments.

In order to exploit the opportunities derived from the progressing digitalisation and to realise synergies, we are bundling our digitalisation initiatives with the Hospitality Digital business unit and the service company METRO-NOM. Hospitality Digital develops customer- and user-oriented solutions, for example systems that improve the payment process, online ordering systems or other digital solutions especially for the catering sector, such as the creation and operation of internet presences. In addition, innovative start-up companies are supported by initiatives like the METRO Accelerator powered by Techstars.

METRO-NOM also drives the development and internal deployment of digital solutions in order to further increase the efficiency of our organisation.

The implementation of cost-saving measures also continues. These include procurement cooperation projects with other international retailers which increase METRO's competitiveness while creating added value for its customers. One example of this is the new procurement alliance Horizon International which includes METRO, Auchan Retail, Dia Group and Casino Group.

Our reinforced sustainability approach METRO SUSTAINABLE emphasises the fact that sustainability at METRO means more than merely focusing on environmental and social issues. METRO SUSTAINABLE is a fixed component of our corporate strategy and shows how we aspire to do business as a responsible company. It encompasses every single aspect of our actions. In concrete terms, this means: we want to make our product range more sustainable and reduce our economic footprint, for example by implementing energy-efficient solutions. Our actions are guided by the Sustainable Development Goals (SDGs) postulated by the United Nations. Contributing to their achievement is a firm commitment of our core business.

— **More information about our sustainability strategy can be found in the combined management report – 2 principles of the group - 2.4 combined non-financial statement by METRO AG, as well as in the Corporate Responsibility Report 2017/18.**

METRO is shaped by our more than 150,000 highly motivated employees worldwide. They fill our open culture with life and combine passion, a partnership approach and outstanding performance in our core business. With courage for new ideas they challenge the status quo time and again and drive our business forward.

METRO essentially consists of the METRO Wholesale and Real sales lines, which are in charge of our operational business, and the Others segment, which includes the Hospitality Digital business unit, the real estate company METRO PROPERTIES and a number of service companies, among others. The METRO Wholesale sales line comprises the wholesale stores operated under the METRO and MAKRO brands, as well as the delivery sales. It primarily targets business customers (B2B) and is characterised by trusting relationships with more than 24 million customers across 35 countries. The Real sales line focuses on the retail industry in Germany and thus on end consumers (B2C). Real is one of the leading hypermarket companies in Germany. The decision of the METRO AG Management Board to initiate the sales process for the hypermarket business and focus its operative activities on wholesale means that the Real sales line no longer constitutes a strategic activity in our portfolio.

METRO WHOLESALE

As an omnichannel operator, METRO Wholesale combines a wide network of modern wholesale stores with a delivery service (Food Service Distribution, FSD) and digital services, such as an online ordering system. Our customers can choose between shopping in a store,having their products delivered to them, or – for example in France – they may take advantage of the click-and-collect online shopping service which allows them to pick up their pre-packed products directly from their preferred store. Our wholesale business is distinguished by a strong international presence: METRO Wholesale can be found in 35 countries across Europe and Asia. We operate 769 METRO and MAKRO wholesale stores with a comprehensive delivery service in 25 countries. In the remaining 10 countries, the business is limited to delivery services. In the FSD area, our dedicated delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express make a substantial contribution to the success of our business. METRO Wholesale's workforce stood at more than 100,000 employees in financial year 2017/18.

Focus on customer benefits

The objective of METRO Wholesale is to strengthen the competitiveness of its customers – not only to make them and their business model more successful, but also with the aim of increasing customer retention over the long term.

Most of our wholesale customers are small and medium-sized companies and sole traders. We want to assist them in better mastering their business challenges by supplying long-term solutions with superior added economic value. To achieve this, we leverage our knowledge, our resources and our global presence. We consistently align our business model to customer value and strengthen our local organisations to establish a closer relationship with our B2B customers.

Our B2B customers can be broken down into 3 core customer groups: HoReCa, Traders and SCO (service companies and offices). HoReCa includes hotels and hospitality businesses, restaurants, bars and cafés, as well as catering companies and canteen operators. The Traders section includes small grocery stores, kiosks, street food retailers, petrol stations and wholesalers. SCO are professional service companies and organisations, such as offices and institutions.

Our markets are divided into core customer groups and regions. Depending on our main customer focus in the respective countries, we offer a tailored product range that matches the specific preferences and requirements of our customers. We increase the satisfaction of our customers by gearing our products, services and sales channels to the local requirements. This allows us to exploit the local market opportunities in the best possible way.

Our interpretation of customer orientation and the way we bring it to life is exemplified in the new METRO Wholesale brand campaign 'We don't work for METRO. We work for …' and the closely related METRO Own Business Day. The Own Business Day was established to assist our customers in what matters most for them: the marketing of their own business. Our website allows business owners to publish their campaign offers to acquire new customers and advance their business. The new brand campaign also puts our customers centre stage and illustrates how METRO assists them in their daily business operations.

Value enhancers for the business

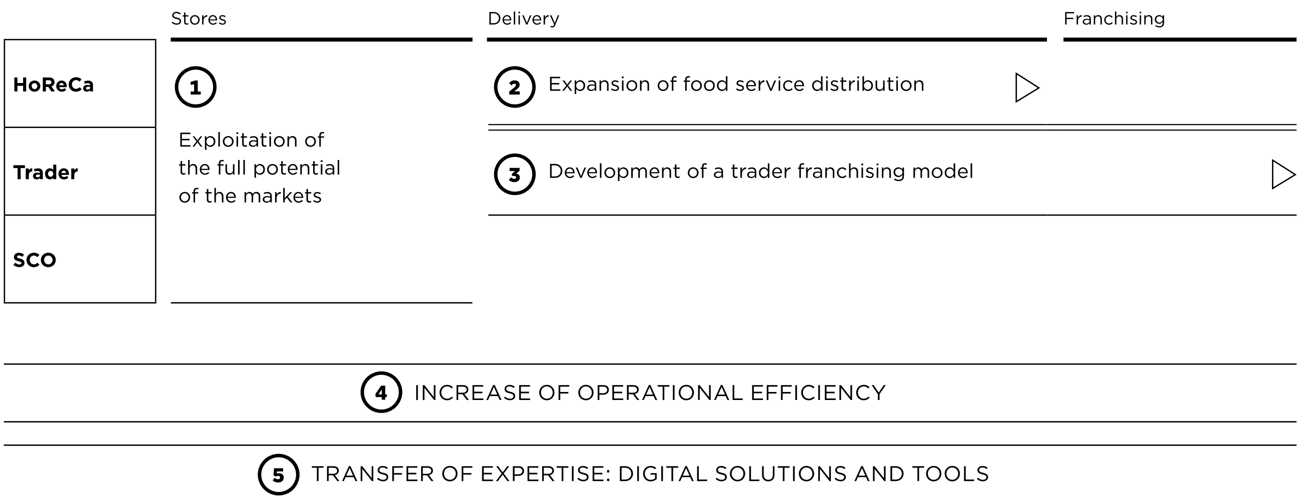
Based on our business model, our local companies develop and implement their individual value creation plans that enable transformation and growth according to local conditions. The central organisation supports local value creation and actively manages the portfolio. Based on the country-specific and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

- We exploit the full potential of our markets across all customer groups. We accomplish this by distinguishing the wholesale stores, for example by designing stores that are specifically tailored to the different customer groups and their respective needs. Good examples are the Compact Store concept in France or the revamping of our wholesale stores in Germany, for example in Düsseldorf and Krefeld. Moreover, we are replacing our centrally managed, unified growth model, which is based on the opening of new wholesale stores, with a distinguished, sustainable model focused on like-for-like sales growth.
- We continue to expand our Food Service Distribution and the delivery business because they represent an attractive business that is complementary to our core business in the wholesale stores. Delivery is an important procurement channel for HoReCa customers in most countries. By expanding our delivery services, we strengthen relationships with these customers and their commitment to us.
- We are expanding the trader franchising model in countries such as Poland, Romania and especially Russia. METRO Wholesale operates in a similar way as a franchisor with its own-brand identity. It provides products and offers additional services to the participating independent grocery stores, such as training courses and assortment consultancy. The expansion of the model helps open up new growth opportunities in relevant markets.
- We are increasing operational capacity to reduce our cost base. We aim at reducing our procurement costs and in turn improve our competitiveness by conducting cooperation projects with international retail and wholesale companies, such as the inter-

national procurement alliance Horizon International with Auchan Retail, Dia Group and Casino Group as partners.

- We share our know-how with our customers by offering them training courses, tutorials and professional advice. We develop digital solutions and applications for our customers, such as our free service for creating a website, online reservation systems for hospitality operators or efficient personnel management systems. These activities allow us to assist our customers in their business processes and to make their relationship with us more efficient.

WHOLESALE STRATEGY



REAL

With more than 34,000 employees and 279 stores, Real is one of Germany's leading hypermarket operators. Real stores offer a wide assortment that includes both food and several non-food product categories.

Real's declared goal is to sustainably increase its customer relevance in the coming years. Real is pursuing the strategic repositioning of its business model with full force. One key area of the overall strategy for Real is the continued development of promising sales channels, for example the online marketplace and the click-and-collect service. Another key area is the extensive optimisation of Real's existing store network.

Strategic priorities

- **Customer orientation:** The product range and services offered by Real are systematically geared to the preferences and requirements of its customers. This is accompanied by the modernisation and redevelopment of the hypermarket stores with the aim of increasing the productivity per square metre. This also includes Real continuing to drive the implementation of the 'Markthalle'-concept which is a hybrid-store concept that combines customer focus with the benefits of large floor plans and is geared to the specific requirements of retail customers today and in the future. The vision is to present customers with a unique shopping experience. This is why the successful concept implemented at Markthalle Krefeld will be rolled out in additional stores, for example the completely redeveloped Markthalle Braunschweig which reopened in October 2018. The concept takes into account both emotional and rational customer wishes and is very well received by the customers.

- **Selected investments:** Real is making selected investments to establish itself as an omnichannel retailer, strengthen its ultra-fresh categories and further expand its procurement partnerships and joint venture projects. One of them is the RTG Retail Trade Group which is utilised by Real, one of the project's founding members, to significantly improve its competitiveness. Tegut became the 7th member of RTG in June 2018.
- **Omnichannel presence:** Following the integration of Hitmeister, Real.de has developed into a successful online marketplace that offers its customers a huge selection from among more than 12 million products. The platform can also be used by external retailers to market their products online.

  Customers also have the opportunity to use the click-and-collect service at Real's online grocery store and pick up their online purchases from one of 16 stores. Customers in 15 cities can also have their shopping delivered directly to their homes. This prepares the company for an expected growth in demand concerning the e-commerce segment.
- **Increase of cost efficiency:** Real has streamlined its management structures, utilised synergies within the group and repositioned its core functions. The company is also restructuring its administration and relocating certain functions to concentrate them at the head office in Düsseldorf. The objective is to establish structures that are efficient and offer good working conditions, including competitive salary structures. In mid-2018, Real created the prerequisites for a new collective bargaining partnership outside the HDE structures (association of German retailers) by terminating the future collective agreement concluded in 2016 with Verdi. The effect of spinning off the business of Real SB-Warenhaus GmbH to real GmbH is that new collective agreements negotiated between DHV – Die Berufsgewerkschaft e. V. and AHD – Unternehmensvereinigung für Arbeitsbedingungen im Handel und Dienstleistungsgewerbe e. V. are now in place. This strengthens the future viability of Real's business model.

OTHERS

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

METRO owns an extensive portfolio of real estate assets comprising more than 1,000 operating sites, 279 of which form part of the Real's hypermarket business. METRO PROPERTIES concentrates the real estate know-how of METRO and has established itself on the market as a reputable real estate company. The real estate segment makes a sustainable and significant contribution to the overall business success of METRO.

METRO PROPERTIES operates, develops and markets an international portfolio of properties. Its activities cover the entire life cycle of METRO's real estate assets: from future-oriented investments, economic property operation/maintenance to sustainable and creative development of the real estate assets as well as the realisation of capital gains when disposing of a real estate asset at the right point in time. In the reporting year, METRO PROPERTIES sold an administration building at Albertussee in Düsseldorf which had been continuously upgraded over time to a project developer who converted the office areas into residential space. Other successful development projects and sale-and-leaseback transactions include projects in Spain and other European countries. METRO PROPERTIES also created post-urbanisation concepts for sites in India and China.

METRO PROPERTIES is continuously developing the property portfolio of METRO. METRO also benefits of opportunities for bolt-on businesses, such as sub-licensing of its comprehensive market expertise, and the excellent reputation of METRO PROPERTIES.

COMBINED MANAGEMENT REPORT

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COMBINED MANAGEMENT REPORT

1 OVERVIEW OF FINANCIAL YEAR 2017/18 AND OUTLOOK

Earnings position

The following section will report on continuing and discontinued operations.

- Like-for-like sales increased by 0.7%; reported sales declined by –1.6% to €36.5 billion (in local currency: 0.7%)
- EBITDA excluding earnings contributions from real estate transactions amounted to €1,396 million (2016/17: €1,436 million); reported EBITDA reached €1,525 million (2016/17: €1,611 million)
- Profit or loss for the period amounted to €348 million (2016/17: €345 million)
- Earnings per share: €0.95 (2016/17: €0.89)

Financial and asset position

- Net debt remained at the previous year's level of €3,2 billion € (30.9.2017: €3,1 billion)
- Investments amounted to €0.8 billion (2016/17: €0.8 billion)
- Cash flow from operating activities reached €0.9 billion (2016/17: €1.0 billion)
- Total assets amounted to €15.2 billion (30/9/2017: €15.8 billion)
- Equity: €3.1 billion (30/9/2017: €3.2 billion); equity ratio: 20.5% (30/9/2017: 20.3%)
- Long-term rating: BBB– (Standard & Poor's)

Outlook of METRO

The outlook is based on the assumptions of stable exchange rates and no further adjustments to the portfolio and is given only for the continued operations of METRO. Our reporting also assumes a continuously complex geopolitical situation.

Sales

Despite the persistently challenging economic environment in particular in Russia, METRO expects to see an increase in overall sales in the range of 1–3% for financial year 2018/19, mainly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

METRO equally expects an increase in like-for-like sales in the range of 1–3% in financial year 2018/19, also mainly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

Earnings

EBITDA excluding earnings contributions from real estate transactions is expected to decrease by around 2–6% compared to financial year 2017/18 (€1,242 million), particularly driven by an expected double-digit percentage decrease in the segment Others (2017/18: €–129 million) as well as by an expected mid- to high-single-digit percentage decrease in the segment Russia. For all other segments an EBITDA around previous-year level is expected.

2 PRINCIPLES OF THE GROUP

2.1 GROUP BUSINESS MODEL

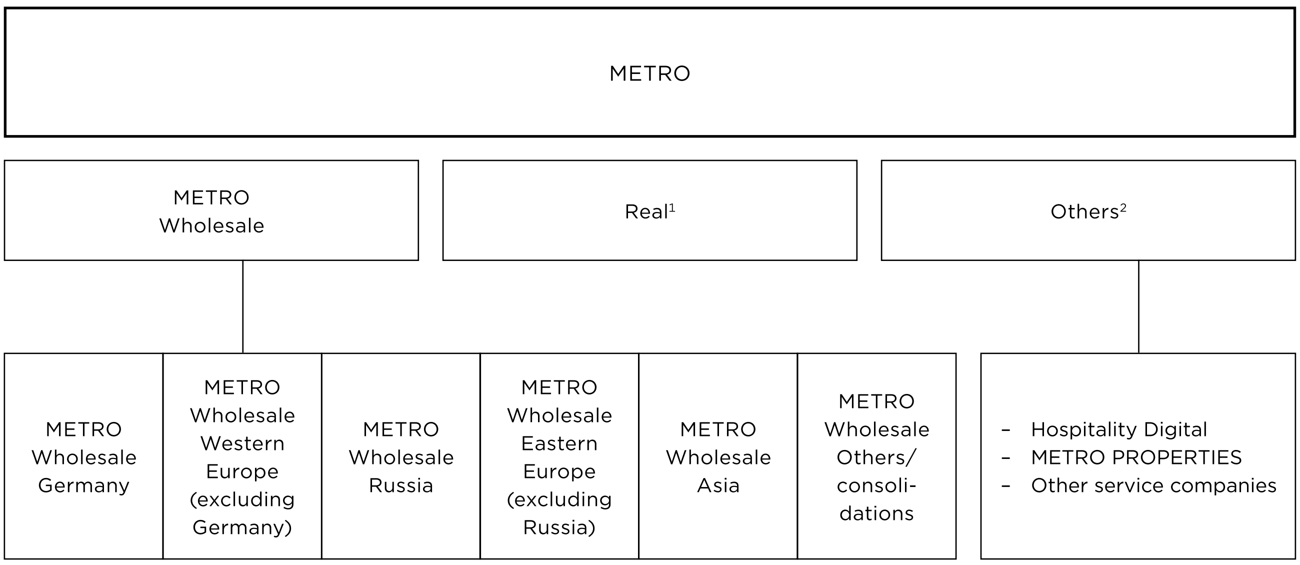
METRO is a leading international specialist company in the wholesale and modern food retail sector. The group is headed by METRO AG, which acts as the central management holding company. It performs group management functions, particularly in the areas of finance, controlling, legal and compliance. Central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

The group essentially consists of the 2 sales lines METRO Wholesale and Real. The wholesale company METRO Wholesale operates more than 769 wholesale stores across 25 countries. The delivery business (Food Service Distribution, FSD) is also part of this sales line, with companies like METRO Delivery Service and the delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express. The retail company Real constitutes the second sales line of the group with 279 hypermarkets across Germany. Real forms the principal element of the discontinued business segment in the context of the decision of the Management Board of METRO AG to dispose of the hypermarket business.

The group has pooled its digitalisation initiatives in the Others segment. This primarily refers to the activities of the Hospitality Digital (formerly HoReCa Digital) business unit, which was established in 2015. The unit develops digital solutions for customers in the hospitality industry and creates interfaces for the digital products conventionally used by wholesale traders.

The Others segment further includes the service companies METRO PROPERTIES, METRO LOGISTICS, METRO-NOM (formerly METRO SYSTEMS), METRO ADVERTISING and METRO SOURCING. These companies provide real estate, logistics, IT, advertising and procurement services within the group.

OVERVIEW OF METRO



[1]Primarily includes discontinued operations.
[2]Includes both continuing and discontinued operations.

Overview of METRO

METRO Wholesale

As an omnichannel operator, **METRO Wholesale** combines a wide network of modern wholesale stores with a wide-ranging delivery service (FSD). It is an internationally leading player in this field. With its segments METRO Wholesale Germany, METRO Wholesale Western Europe (excluding Germany), METRO Wholesale Russia, METRO Wholesale Eastern Europe (excluding Russia) and METRO Wholesale Asia, METRO Wholesale is active in 35 countries. It operates 769 wholesale stores in Europe and Asia under its brands **METRO** and **MAKRO**. Its more than 24 million commercial customers worldwide are mainly hotels, restaurants, catering companies, independent retailers, as well as service providers and authorities, to which METRO Wholesale offers a portfolio of products and solutions that has been tailored to their specific requirements.

In the area of **Food Service Distribution (FSD),** METRO Wholesale maintains a strong international presence with its **METRO Delivery Service** and the specialist companies **Classic Fine Foods, Pro à Pro and Rungis Express.** Classic Fine Foods is an Asian delivery specialist for a wide range of deli food. The company's customers include 5-star hotels and upmarket restaurants in Asia and the Middle East. Pro à Pro delivers products to commercial customers across France, in particular in the field of corporate catering, canteens and system catering. Rungis Express is an important upmarket food delivery company in Germany that mainly caters to HoReCa customers.

Real

The segment **Real** is a leading German operator of food retail hypermarkets with currently 279 outlets. These hypermarkets are characterised by a large product range of up to 80,000 individual products – including many high-quality, fresh-food products and an attractive range of non-food products. In addition to its store-based retail operations, Real also pursues online sales. Real.de offers customers a selection of more than 12 million products.

Others

The **Others** segment includes the **Hospitality Digital** business unit and the **METRO PROPERTIES** service company among others. Hospitality Digital pools the group's digitalisation efforts for customers in the hospitality industry. These efforts include the development of digital solutions, which are developed to meet the needs of the hospitality industry, and the promotion of innovative, progressive foods.

With its real estate expertise, METRO PROPERTIES has established itself on the market as a reputable real estate company. It develops, operates and markets an international portfolio. While its wholesale and retail properties are part of the operating segments, METRO also benefits from opportunities relating to bolt-on businesses, such as sub-licensing of its comprehensive market expertise, and the excellent reputation of METRO PROPERTIES. The real estate segment makes a sustainable and significant contribution to the overall business success of METRO.

STORE NETWORK BY COUNTRIES AND SEGMENTS

as of the closing date of 30/9

	METRO 2017	New store openings	Closures	**METRO 2018**
Germany	**104**	**0**	**1**	**103**
Austria	12	0	0	**12**
Belgium	16	1	0	**17**
France	97	1	0	**98**
Italy	50	0	1	**49**
Netherlands	17	0	0	**17**
Portugal	10	0	0	**10**
Spain	37	0	0	**37**
Western Europe (excl. Germany)	**239**	**2**	**1**	**240**
Russia	**89**	**4**	**0**	**93**
Bulgaria	11	0	0	**11**
Croatia	9	0	0	**9**
Czech Republic	13	0	0	**13**
Hungary	13	0	0	**13**
Kazakhstan	6	0	0	**6**
Moldova	3	0	0	**3**
Poland	30	0	1	**29**
Romania	30	0	0	**30**
Serbia	9	0	0	**9**
Slovakia	6	0	0	**6**
Turkey	33	0	0	**33**
Ukraine	31	0	0	**31**
Eastern Europe (excl. Russia)	**194**	**0**	**1**	**193**
China	90	5	1	**94**
India	24	3	0	**27**
Japan	10	0	0	**10**
Pakistan	9	0	0	**9**
Asia	**133**	**8**	**1**	**140**
International	**655**	**14**	**3**	**666**
METRO Wholesale[1]	**759**	**14**	**4**	**769**
Real (Germany)	**282**	**0**	**3**	**279**
METRO	**1,041**	**14**	**7**	**1,048**

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

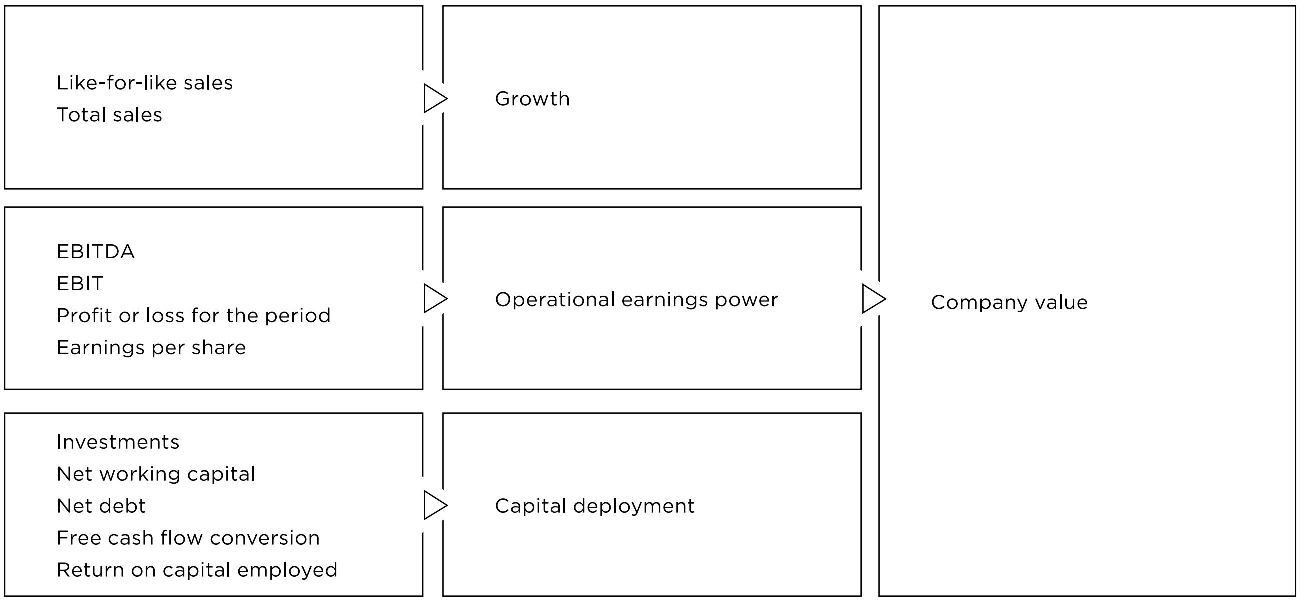
2.2 MANAGEMENT SYSTEM

METRO's strategic focus on creating added value for our customers and the objective of sustainably increasing the value of our company are also reflected in our internal management system. We use the key figures described in the following for planning, management and control of our business activities.

Selected key figures used in our management system (like-for-like sales growth, EBITDA and return on capital employed) form the basis of the Management Board's variable remuneration.

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

MANAGEMENT SYSTEM



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

Key performance indicators describing the earnings position

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

The second of our most important key performance indicator in addition to sales growth was introduced in financial year 2017/18 and is **EBITDA excluding earnings contributions from real estate transactions.** This key performance indicator transparently reflects METRO's operational performance. The development of real estate assets and the realisation of divestment income will continue to be a central component of the group's real estate strategy.

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

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

Key performance indicators relating to the financial and asset position

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

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

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

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

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

METRO also analyses the **free cash flow conversion** to measure the group's success in transforming the generated income into cash inflows. The free cash flow conversion is the ratio of the simplified free cash flow and reported EBITDA. The free cash flow for the purpose of determining the free cash flow conversion is defined as the reported EBITDA less investments (without finance leases renewals and mergers and acquisitions) +/– change in net working capital.

Value-oriented key figures

The assessment of the operational business continues to rely on the key figure **return on capital employed (RoCE)**. This key figure measures the yield on the capital employed (RoCE = EBIT / average capital employed) in a certain period and also allows for an assessment of the performance of the group's individual segments.

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

METRO also frequently uses value-oriented key figures to assess both prospective and past investments. These include the discounted cash flow method, economic value added (EVA) and other liquidity-oriented key figures such as the amortisation period for investment decisions.

2.3 INNOVATION MANAGEMENT

METRO's innovation management is aimed at developing solutions that make daily work and business processes more efficient and sustainable for both our customers and METRO's operating business. To achieve this objective, Hospitality Digital (formerly HoReCa Digital), METRO-NOM and the Store Operations division at METRO AG have formed a close cooperation.

Supporting the digitalisation efforts of our business customers

Digital technologies have become an essential part of our daily lives consumers use their smartphones anywhere and any time to find shops or food outlets and to book a table at their preferred restaurant. While it is true that digitalisation has made an impact in the hospitality industry, many of our customers continue to lag behind in the digitalisation of their business models. This is the finding of a METRO survey that examined the needs of business owners from 10 countries. The survey found that around one third of respondents find it difficult to gain access to digital solutions, despite more than 80% of them considering these important for their business. METRO has acknowledged the opportunities for growth associated with digitalisation and aspires to be a driving force behind the digital transformation of our customers. Hospitality Digital is, for example, developing solutions that allow hospitality operators to improve their digital presence without too much effort and technical knowledge. These solutions include, for example, an online booking tool and a toolkit for creating a website that runs on METRO servers. METRO customers can take advantage of these online tools free of charge. Websites for more than 100,000 customers from 14 countries have already been created since the end of 2017.

To identify effective and scalable digital solutions, these websites are tested by METRO in close cooperation with hospitality operators. The project METROpolitan Pilot saw more than 500 hospitality operators testing more than 100 restaurant-specific digital solutions in Berlin, Paris, Milan, Barcelona and Vienna, including solutions developed by Hospitality Digital and start-up partners. This included an analysis of the user-friendliness and the additional value of the solutions for the customers' businesses. Our teams and the start-ups then used the findings to further develop and refine the solutions. Once the trial phase is concluded successfully, the solutions can be brought into strategic sales cooperations that will market them to a broader audience.

Hospitality Digital and US company Techstars have teamed up for the METRO Accelerator programme which has been assisting international teams of entrepreneurs in the development of digital solutions for the hospitality industry for around 4 years. The same service has been offered for the retail industry since 2017. Around 50 start-ups have participated in these accelerator programmes so far. METRO's own investor team LeadX Capital Partners has joined forces with other external investors to provide capital funding for promising start-up companies.

Innovative technologies for a better shopping experience in our stores

Digitalisation is increasingly affecting the shopping behaviour of customers in store-based retail. To achieve an optimised and more efficient shopping process for our consumers, METRO-NOM and the Store Operations division of METRO AG are working on the digitalisation of customer contact points.

Saving time when doing grocery shopping is becoming increasingly important for our customers. This is why the METRO wholesale store in Nuremberg-Buch is trialling an in-store navigation app that can directly guide customers to the product they are looking for and improve the overall navigation within the store.

New digital solutions, such as virtual and augmented reality, offer the potential to actively involve HoReCa customers as early as the planning phase of innovative concepts. In France, for example, the development of the new Compact Store concept allowed METRO to use virtual reality technology to better align the new wholesale stores to the needs of our customers. In financial year 2017/18, the fourth new METRO store was designed and opened with this technology in Carcassonne, France.

Our customers also want to save time at the checkout. One of the MAKRO stores in the Czech Republic already offers a smart checkout solution to its customers. Customers can use the smartphone app to scan the products before placing them into their trolley, which is then weighed at the smart checkout register. The weight is then compared against the information stored in the app. If the data match up with this information, the customer can pay and save some time by not having to place all items on the register belt.

A decision on whether the individual projects will be expanded to additional stores or other METRO countries will be made after thorough testing has been completed.

INNOVATION MANAGEMENT

HOSPITALITY DIGITAL	METRO-NOM	STORE OPERATIONS METRO AG
Digitalisation of hospitality industry	Digitalisation of METRO	

Tasks and measures

Digital operational solutions, such as
- Business websites
- Online reservation tool
- METROpolitan Pilot

Promotion of innovative solutions for the hospitality, retail and wholesale industry:
- METRO Accelerator powered by Techstars
- LeadX Capital Partners
- NX-FOOD

Continued development of METRO's IT infrastructure and implementation of innovative solutions

- Online shop M-Shop
- Sales force app
- Driver app
- And other solutions

- Virtual reality/ augmented reality
- Smart checkout
- In-store navigation

Objectives

We want to assist our customers with digital solutions that make their business and daily work easier and give them access to innovative know-how and products.

Our goal is to offer innovative technologies that improve the shopping experience of our customers across all channels and at the same time make our internal processes more efficient.

Transformation to omnichannel wholesale

The digital solution M-Shop is the cornerstone of our omnichannel strategy for wholesale trade. The online shop is an extension to both store-based retail and METRO Wholesale's delivery business and allows our customers to combine our sales channels in the way that best suits them. The M-Shop features an intuitive product search engine and personalised product recommendations, which together ensure rapid order processing.

Digital solutions also make work easier for our employees, who can more easily retrieve important information about our customers and their shopping behaviour. The sales force app SAM (Sales and More) consolidates information from the various internal customer management systems and ensures that all relevant customer data are available immediately when needed. Artificial intelligence and algorithms are used to analyse the past shopping behaviour of customers and to forecast sales trends, which allows METRO to develop targeted offers that exactly match the needs of our business customers. The delivery then makes use of the driver app from METRO's transport management. This app offers manifold support to our drivers – from optimised tour planning to scanning of delivery products and paperless order processing.

NX-FOOD: the innovation hub for new food solutions

Pressing issues such as the rapidly growing global population, food wastage or humanity's expected reaching of the limitations of conventional livestock farming present huge challenges for the entire food industry. METRO founded the NX-FOOD hub in March 2018 to overcome these challenges and develop sustainable food solutions as well as concepts for their implementation in the trade and hospitality industry. More than 300 start-ups have already submitted their application via the platform. Their products are now being given a trial listing for around 3 months in Real as well as German and Austrian METRO stores, which will be continued permanently if successful. METRO Wholesale and Real are the first retailers in Germany to offer products made from insect protein on so-called start-up shelves from NX-FOOD. NX-FOOD also cooperates with the airline Eurowings and Retail inMotion. Products from up to 4 start-ups will be featured in Eurowings' magazine 'Wings Bistro' for a 3-month trial phase that started in August 2018, making them available to more than 2 million passengers.

Knowledge gained from cooperation projects

A continuous dialogue about trends and experiences is a crucial element for hospitality operators who want to ensure a satisfactory transfer of knowledge. This is why METRO cooperates with the German Institute of Food Technologies (DIL), the hotel school Ecole hôtelière de Lausanne (EHL), the WHU – Otto Beisheim School of Management and the Code University of Applied Sciences. These partnerships and the cooperation projects with start-ups allow METRO to integrate existing networks and concentrate knowledge.

2.4 COMBINED NON-FINANCIAL STATEMENT OF METRO AG

With this chapter, METRO AG fulfils its duty to produce a non-financial statement (NFS) for the parent company, pursuant to § 289b-e of the German Commercial Code, and a non-financial group statement, pursuant to § 315b-c together with § 289c-e of the German Commercial Code, in the form of a consolidated non-financial statement. As a separate chapter, this declaration constitutes a part of the combined management report. Unless stated otherwise, the concepts described here apply to the entire group as well as the parent company. The NFS takes into account both the continuing operations and the discontinued operations of Real. The METRO AG Management Board is fully involved in all topics presented here and is regularly updated about their progress.

The NFS is integrated in the combined management report. It was produced in consideration of the GRI Sustainability Reporting Standards and the UN Global Compact. The contents are not subject to statutory audits of the annual and consolidated financial statements, but are part of the limited assurance engagement according to ISAE 3000 and ISAE 3410 by KPMG AG Wirtschaftsprüfungsgesellschaft. The assurance report of the independent auditor is available under www.metroag.de/cr-report-2017-18/assurance.

Business model

— **For more information on METRO's business model, see chapter 2 principals of the group.**

METRO SUSTAINABLE

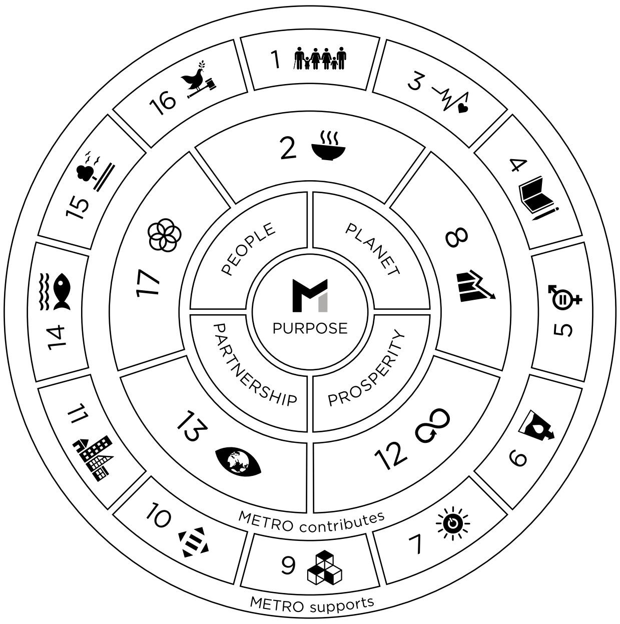
Our society faces unprecedented economic, environmental, social and cultural challenges. We are convinced that sustainability is the key to transforming these challenges into opportunities.

As a partner to independent business owners along the entire value chain, we do more for business-passionate people – in a responsible way. This reflects the core of our business and our sustainability approach METRO SUSTAINABLE.

Since our focus is on the food sector, this means improving our 'foodprint' while minimising our footprint. In concrete terms, this means: We strive to positively impact the availability, consistency, health and social and environmental safety of food, prevent food waste and make our product and service offerings more sustainable overall, as well as to provide efficient solutions to simplify our customers' business activities. At the same time, we want to minimise our environmental and social footprint by responsibly managing people and resources and creating a positive impact on society overall.

It is our vision to make retail more sustainable along the value chain in our work with small and medium-sized independent suppliers and customers and in contact with consumers. By reconciling our needs and goals with the needs of nature, people and future generations, we can act responsibly, remain successful in the long term and overcome the conventional limits of growth. Through information, inspiration, motivation and support of our employees, customers and partners, this visionary approach has the potential to reach millions of people.

METRO SUSTAINABLE – OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT



— **Further information on METRO SUSTAINABLE can be found online at www.metroag.de/cr-report-2017-18.**

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

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

To ensure that our sustainability approach addresses the aspects and issues that most affect our business and that we can leverage through our business activities, we conducted another materiality analysis in the course of financial year 2017/18 in accordance with the requirements of the CSR Directive Implementation Act. Assessment of the facts was based on the legally required materiality definition. The aspects and issues identified in the analysis are the content of this NFS and comply with the requirements of the CSR Directive Implementation Act for the reporting of non-financial content. In addition, we were able to use our sustainable value creation model, a method of sustainability accounting, for the first time to quantify the economic, environmental and social effects of our business activities along the value chain in monetary terms. The results are also reflected in the NFS.

Actively managing sustainability

The sustainability management serves the purpose of systematically and organisationally anchoring the notion of sustainability in our core business operations and to consider the interdependencies between economic, environmental and social aspects in an efficient, solution-oriented manner. It is closely tied to our risk and opportunity management system via the formalised reporting and evaluation of sustainability-related risks and opportunities. This enables the Management Board to systematically identify, evaluate and control deviations from the sustainability goals and the ensuing risks and opportunities. We did not identify any material risks.

The Sustainability Committee establishes the strategic framework and sets goals that are applicable throughout the group. To adequately respond to the specific market and customer requirements, the METRO companies manage the operational implementation of the sustainability notion within this framework. They are responsible for working on the relevant sustainability issues, for defining specific targets and measures and for monitoring their success. They report on current developments and achieved progress to the Sustainability Committee.

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

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

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

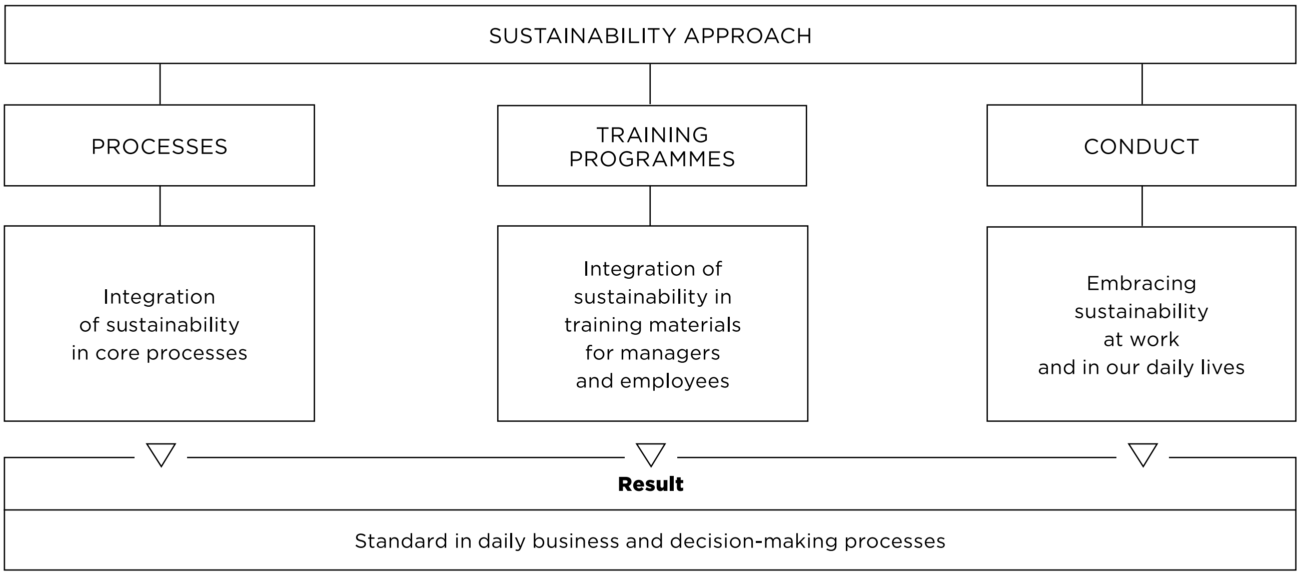
The round table on corporate responsibility, which comprises participants from the sustainability units of METRO AG, the sales lines METRO Wholesale and Real together with the service companies METRO-NOM, METRO LOGISTICS and METRO PROPERTIES, forms another interface between the strategic and operational levels of sustainability. This corporate body serves the exchange of information and, together with the ad hoc expert groups, assists in implementing the decisions made by the Sustainability Committee. Individual services with which the sales lines contribute to achieving the sustainability goals at group level are coordinated in a round table. For example, when the participants are able to exchange views on how they assess and deal with specific topics, synergies will emerge which the operational divisions can use to manage their specific issues.

In addition, we embed sustainability aspects into relevant business processes and decision-making procedures, including guidelines such as the sustainable procurement guideline, and involve our employees, for example via our Sustainability Day or through information on METRO's social network platform. Our goal is to make it possible that all individuals acknowledge the significance of sustainability with respect to both themselves and their professional environment, and that they conduct themselves accordingly. For example, we contribute to this goal through our principles, self-commitments and positions that provide directional guidance and include compliance with laws as well as meeting additional requirements. Another measure is the METRO Sustainable Leadership Programme, our ambassador programme for leadership development. While METRO may be able to drive the issue in a top-down approach, each of the more than 150,000 employees should take it to heart to effectively contribute to our impact on sustainability.

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

Oekom Research (now called ISS-oekom) awarded the prime status C+ (on a scale from D- to A+) to METRO in August 2018. In addition, we topped the Food & Staples Retailing group for the fourth consecutive time in financial year 2017/18 in the internationally important sustainability indices Dow Jones Sustainability World and Europe. METRO is also listed in the FTSE4Good index. METRO has been issuing public statements on climate protection and water for many years through the Carbon Disclosure Project (CDP). METRO achieved a rating of A- (on a scale from F to A) for both subject areas.

EMBEDDING SUSTAINABILITY



Environmental matters

A responsible consumption of energy and other natural resources is crucial for all of us. The use of resources has a direct effect on our operating costs and may entail undesirable environmental implications, such as the emission of climate-damaging greenhouse gases. Our approach is to reduce the climate-relevant emissions caused by our business operations and our consumption of natural resources.[1] We do this by focusing on behavioural change (Energy Awareness Programme) and investment aimed at increasing our energy efficiency (Energy Saving Programme). Wherever possible, we are also converting our cooling systems to natural refrigerants (F-Gas Exit Programmes). This reduces our energy requirements as well as our costs. In financial year 2017/18, among other things, we invested €10 million in METRO Wholesale's Energy Saving Programme, which saves us approximately €2.8 million in energy costs each year. Examples of measures in the reporting year are:

- Commissioning of further transcritical cooling systems, including in Bulgaria, Russia and China
- Opening of the third green store in China with significantly reduced energy requirements compared to conventional METRO stores
- Installation of additional photovoltaic systems and expansion of the total capacity to more than 19,000 kWp. In China, Germany, Pakistan, India and Japan, we use the latest technical equipment.
- Measures for heat recovery in a number of markets
- Conversion from diesel to compressed natural gas (CNG) in some markets in Bulgaria

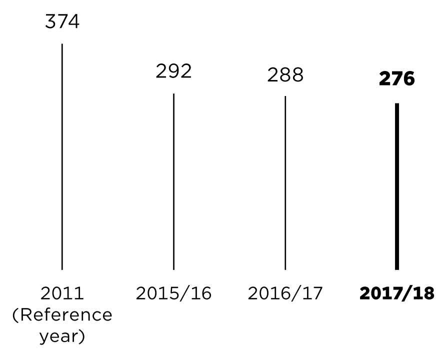
[1] Due to the company size and alignment (management), the aspect of environmental matters is not significant for the holding company METRO AG.

Further key focal issues in relation to sustainable business operations are the prevention of waste, the reuse of resources and their recovery by means of recycling. The reduction of food waste is an issue of particular importance to the operations of METRO. Every food product that is sorted out or discarded instead of being eaten represents wasted economic, social and environmental resources. METRO has therefore committed itself to the Resolution on Food Waste by the Consumer Goods Forum (CGF) and thus to eliminate 50% of wasted food in our own operations by the year 2025 compared to 2016. For this purpose, a working group focusing on waste was established in financial year 2017/18 as part of our Operations Federation, and the Food Loss and Waste Protocol was implemented in a pilot country.

Status of climate protection target

From October 2017 to September 2018, METRO generated 276 kilograms of CO_2 equivalent per square metre of selling and delivery space. This figure is down from 288 kg in the previous year's period. Our goal is to reduce these emissions to 187 kg by 2030, for example 50% of the 2011 figure. In particular, we focus on the aforementioned programmes. In financial year 2017/18, we switched to a different software for our sustainability data management. This also involves methodical changes and new emission factors for calculating greenhouse gas emissions. In addition to our selling space in square metres, we also apply our climate protection target to spaces used for deliveries to account for the rapidly increasing proportion of deliveries that forms part of our business. Overall, this accounts a positive effect of 2.5 percentage points regarding our target achievement.

CLIMATE PROTECTION TARGET STATUS
Greenhouse gas emissions in kg CO_2 (CO_2 equivalent) per m² of selling and delivery space



Employment matters

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

— **For more information, see chapter 2.5 employees.**

Social matters

Supplier development

In order to offer our customers an assortment that meets their requirements, the availability, condition, quality and sustainability of our products play an important role. We have influence on this through direct contact with our suppliers as producers and manufacturers. By training small and medium-sized suppliers on aspects of food safety, hygiene, processing and implementation of fair working conditions, we enable them to meet relevant standards and thus help them merchandise their goods. This increases their revenue and simultaneously secures our product range.[2]

— **Our approach to promoting our suppliers in terms of compliance with social standards is described in the section global labour and social standards in the supply chain.**

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

Respect for human rights

Respect for human rights is one of the fundamental values of the METRO group, as formalised in our 'Policy for Human Rights'. We pledge to respect all human rights, as set out in the United Nations' Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO). This obligation applies to our own employees (see chapter 'human rights and employer-employee relationships') and to our business partners within our value chain.[3]

[2] Due to the business alignment, supplier development is not a significant aspect for the holding company METRO AG.
[3] For the holding company METRO AG, the aspect of human rights in the supply chain is not essential owing to its business alignment but rather only in relation to its own employees.

Since we expect our business partners to adopt and honour similar values, the METRO Code of Conduct for Business Partners is an integral part of every business relationship. This Code of Conduct includes compliance with human rights according to UN and ILO standards, occupational and social issues based on the principles of the International Labour Organization's 4 core labour standards, environmental protection and corporate ethics, in particular anti-corruption and anti-bribery, antitrust and competition laws as well as data protection. Furthermore, all of our own-brand contracts contain a social standards clause that gives us legal means to enforce our requirements.

In case of violations of our basic human rights principles, our employees can contact their supervisors or the company's compliance officers. Using a tool that is publicly accessible via the METRO compliance page, external people can report situations that do not comply with the values and guidelines of METRO or with statutory provisions. The reported incidents will be promptly investigated and processed by our experts to take appropriate action, if necessary.

Global labour and social standards in the supply chain

We aim to contribute to ensuring socially acceptable working conditions within our sourcing channels. Therefore, in addition to a contractual manifestation of our requirements, the application of social standards systems is an integral part of the process as well as an important tool. Social standards systems enable us to take effective action against any potential violations. Irresponsible practices within the supply chain can damage the confidence in our conduct and, consequently, also our business. We will therefore require our producers to be audited in accordance with the supply chain management standard set out by the Amfori Business Social Compliance Initiative (Amfori BSCI) or an equivalent standard. This applies to all producers in certain high-risk countries (based on the Amfori BSCI rating) that manufacture imported goods for METRO SOURCING. It also applies to the producers of non-food items for our own-brand products and our own import products. As of 30 September 2018, 1,274 producers have been audited. Of that group, 92% (1,173 producers) passed the audit. Producers who fail the audit are allowed a period of 12 months to provide proof of improvement by way of a follow-up audit. METRO Wholesale and Real have introduced more stringent supplier requirements on 1 January 2017: New suppliers are only accepted if the producers with whom they collaborate[4] can prove that they have achieved an at least acceptable audit result, in example A, B or C, for the Amfori BSCI or an audit that is acknowledged as equivalent. Existing suppliers have been granted a transitional period of 2 years. In addition, we have set stricter requirements than in the past for all suppliers: all suppliers producing for us[5] must prove at least acceptable audit results by 1 January 2019.

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

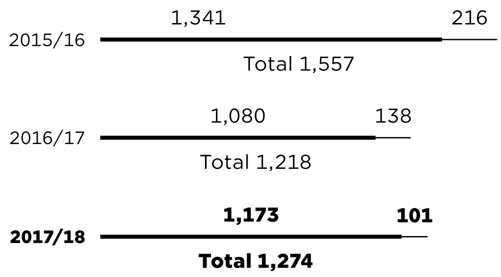
In order to not only ensure the social requirements of our suppliers, but also to contribute to improving them and thereby further increasing the proportion of valid audits, METRO SOURCING works with our local producers and supports them through training courses designed to understand and comply with social standards. Especially on the subject of forced labour, METRO Turkey and METRO Pakistan piloted a one-day training for employees in key functions. The intention is to reintroduce the importance of the topic into our organisation and to empower our employees to identify, process and prevent potential and/or actual forced labour incidents. The development and execution of the training is carried out in collaboration with the Amfori BSCI. By 30 September 2020, all METRO national subsidiaries are expected to have completed this training.

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

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

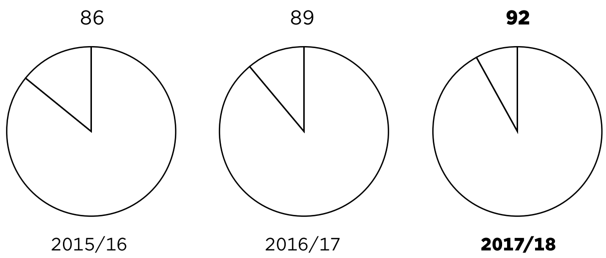
as of the closing date of 30/9

Factories with a valid audit (number)



thereof with passed audit
thereof with failed audit

Thereof with passed audit (in %)



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

Combating corruption and bribery

The METRO AG Management Board is committed to complying with applicable laws, rules and regulations. METRO employs a group-wide compliance management system (CMS) to ensure compliance with laws and a self-imposed Code of Conduct, including key risks such as the fight against corruption and bribery and the prevention of antitrust law violations. The aim of the CMS is to systematically and sustainably prevent, detect and sanction regulatory infringements within the company.

The METRO Business Principles are at the heart of our compliance initiatives and are firmly anchored throughout the group by ongoing training measures. The CMS is based on the METRO Business Principles. Business Principle number 2, for example, explicitly prohibits corruption and bribery in dealing with business partners and authorities. The METRO CMS is based on the auditing standard IDW PS 980. It operationalises the 7 CMS elements on a risk basis applying a wealth of organisational, structural, procedural and individual measures for all major group companies.

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

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

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

A compliance programme with different intensities is defined for each risk class. It is based on the guidelines developed for each significant compliance risk and adopted by the Management Board. When it comes to combating corruption and bribery, there are 2 guidelines for dealing with business partners, including a business partner assessment and dealing with public officials.

The CMS is implemented by the compliance organisation. A compliance officer has been appointed to each relevant METRO group company for this purpose, who reports directly to the METRO AG Corporate Compliance department as part of Corporate Legal Affairs & Compliance. The overall responsibility lies with the Chief Compliance Officer of METRO AG, who reports directly to the Chairman of the Management Board of METRO AG. The compliance organisation is centrally managed by Corporate Compliance. Corporate Compliance keeps the CMS conceptually on a risk-appropriate level and provides the concepts and tools for implementation in the METRO group companies of each CMS element. The disciplinary and technical leadership of the compliance officers takes place via institutionalised reporting dates as well as target agreements. The compliance officers regularly report directly to the local management in their units. Moreover, identified key compliance risks are recognised within the GRC subsystems Internal Controls Operations and Internal Controls Finance and integrated into the systems there.

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

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

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

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

Customers

Customer satisfaction and innovation management

As a leading international specialist in the wholesale and food retail industry, METRO sees itself as a responsible partner along the entire value chain committed to its customers' success and satisfaction every day. Our strategy aims to achieve long-term stable growth in like-for-like sales and earnings. To ensure that we remain relevant to our customers and successful in the long term, we have set ourselves the goal of taking the food retail and food service sector to a new level by continuously refining our business model and by increasing our customer focus. Hereby, we always observe our sustainability principles. We do not limit our actions to merely transactional customer satisfaction while they are shopping. In order to intensify our customer relationships within METRO Wholesale, we are also expanding our range of comprehensive services that support our customers in successfully carrying out their day-to-day business. For example, we offer our customers a free website as well as an online reservation tool. The opportunities arising from digitalisation play a key role in this context.

Customer focus and customer satisfaction are central elements of our strategy. In order to continuously assess and consistently improve the satisfaction of our customers, we have introduced the Net Promoter Score nationwide at METRO Wholesale. Besides the purely quantitative measurement of the current satisfaction values, suggestions from customers can be systematically recorded and evaluated. These data can be used to identify additional potentials for improving the shopping experience which are then reflected in, among other things, the design of our stores or assortments.

In order to exploit the opportunities derived from digitalisation and to realise synergies, we are bundling our digitalisation initiatives with the Hospitality Digital business unit and the service company METRO-NOM. Hospitality Digital develops customer- and user-oriented solutions, for example for improvements in the payment process, online ordering systems or other digital solutions especially for the catering sector. In addition, innovative start-up companies are supported by initiatives like METRO Accelerator powered by Techstars.

With our METRO-NOM business unit, we are accelerating the development and internal deployment of digital solutions in order to further increase the efficiency of our organisation.

Other cost-saving measures will be implemented. These include procurement cooperation projects with other international retailers which increase METRO's competitiveness while creating added value for its customers. One example of this is the new procurement alliance Horizon International which includes METRO, Auchan Retail, Dia Group and Casino Group.

Protection of personal data

The protection of personal data of customers, employees and business partners is extremely important to METRO. This is particularly true considering the fact that corporate processes are increasingly being digitalised, requiring data collection, processing and storage. However, this can only work efficiently if the data-processing subjects can trust that their data will be handled with care and that their personal rights will be respected.

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

For companies operating in Europe, the European Union has already established Europe-wide uniform regulations on the handling of personal data by passing the General Data Protection Regulation (GDPR), which has been in force since 25 May 2018, which leads to more transparency in the processing of personal data. In order to be able to meet the special requirements of the GDPR, METRO has already started early to comprehensively review all procedures that dealt with the processing of personal data and, if necessary, to adapt them to the requirements of the GDPR.

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

2.5 EMPLOYEES

Sustainable human resource strategy

It is the goal of METRO to ensure that it increases its relevance to its customers continuously to produce long-term growth in sales and earnings. Among other things, we attach great importance to the continuous development of our business model and the increase in our customer orientation.

Our commitment levels, which have been steadily rising since 2011 and are well above the industry average, are proof that our workforce of more than 150,000 employees are doing their best every day to achieve the goals of the group. With our efforts in human resources, we make an important contribution to reinforcing and expanding our employees' motivation, to encouraging teamwork and promoting entrepreneurial thinking, open-mindedness and assuming responsibility in the company. In doing so, we pursue 2 overarching ambitions:

- Creating an appealing, open-minded and inspiring work environment for our employees. We firmly believe that only satisfied employees who are supported in accordance with their commitment and abilities can offer a first-class customer experience.
- Expansion of METRO into an adaptive, learning organisation that responds quickly to market and customer needs and participates in shaping trends. We make significant investments to accomplish this.

Our underlying, holistic approach to human resources with customised initiatives and programmes spans the entire career of an employee – from recruitment through various career and life stages to retirement models. Involvement of the Management Board or the management of the various national subsidiaries and service companies often already takes place during the development phase of the personnel concept and thus ensures proper balance between adaptation to local conditions and standardisation throughout the group.

Recruiting employees

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

Initial training at METRO

We attach great importance to the comprehensive, sustainable training of our employees in all METRO national subsidiaries and service companies. It allows us to make an important social contribution while our customers benefit from competent contact partners throughout the company. Prioritising needs-based vocational training allows us to hire a large portion of trainees at the end of the programme. In Germany, the company management and the Group Works Council have thus agreed that apprentices who complete the initial training programme with a positive aptitude assessment will generally be offered permanent, full-time positions. The individual METRO companies in Germany have defined their own specific requirements and possible exceptions. The organisation and implementation of the initial training programmes and the specification of their curricula are the responsibility of the companies. They offer various projects and programmes for their junior employees. In addition to the apprenticeship programme, it is also possible to complete a special cooperative education curriculum that includes practical modules. For example, as of 1 September 2018, 4 cooperative education students were enrolled in Information Systems at METRO-NOM in Germany.

Talent development

In order to systematically develop our future executives from within our own ranks, our measures and programmes are focused on our junior employees. Since 2014, METRO Wholesale has been offering the METRO Potentials programme in all countries in which the sales line operates. The programme targets the best university graduates and young professionals worldwide with 2 to 3 years of work experience. During the 2-year trainee programme, participants have an opportunity to expand their knowledge by participating in various hands-on projects. They are also coached by a local mentor, who is a member of the respective country's management. The trainees complete various stations in their own country and abroad as well as at the company's headquarters in Düsseldorf. After completing the programme, they are offered management positions, for example as store manager. The career prospects go far beyond that, up to a position on the Management Board of the respective country. 8 trainees completed the programme in financial year 2017/18.

Employer Branding and HR Marketing

In financial year 2017/18, we implemented various measures to attract employees to our company and to position the METRO employer brand in a targeted manner. Online platforms and social networks, career days at schools and universities, as well as initiatives such as Girls' Day or Boys' Day allow potential applicants to gain plenty of information and contact opportunities. We are also pursuing new, unique ways of promoting the company as an employer. Examples include guerrilla marketing measures used by our IT service company METRO-NOM specifically targeting IT specialists in the greater Berlin area in financial year 2017/18.

Our cooperation with universities, technical colleges and other educational institutions as well as the Federal Employment Agency is an important cornerstone of our employer branding efforts. In financial year 2017/18, we entered into a cooperation agreement with the WHU – Otto Beisheim School of Management with the goal to contribute to practical and scientific networking in the fields of entrepreneurship and lifelong learning.

Succession planning and compensation models

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

Executive development

The systematic development of executives is a core responsibility of the general management teams of the respective group companies as well as of METRO AG. By taking this approach, we ensure that the skills and abilities of our managers are consistently aligned with the requirements and strategic objectives of our company. At the same time, we are establishing specific international career paths for our executives in conjunction with METRO subsidiaries and METRO AG. Our career-planning processes also allow us to identify and support internal candidates for key positions in the company. This ensures that we can fill vacancies from our own ranks. In financial year 2017/18, the internal succession rate for the management of the national subsidiaries of METRO Wholesale was 79.1%.

To bolster our management capabilities and to achieve sustainable growth, we launched the Lead & Win programme at METRO in financial year 2016/17. The integrated learning concept is used to develop more than 15,000 executives and is divided into 3 to 4 modules for different management levels. For a period of 6 to 8 months, the participants learn about group-specific topics. The objective is for all executives to have completed the programme by the end of 2019. In financial year 2017/18, 1,243 executives had already completed the programme.

Furthermore, since financial year 2016/17, our top executives – employees who have highly complex tasks with special significance to the success of our company – have been asked to take initiative to develop an individual development plan based on a structured self-assessment of their personality in comparison with their management skills relevant to the position. This emphasises that executives are also responsible for their own development.

In another major initiative, the METRO Sustainable Leadership Programme (MSLP) supports approximately 30 international executives each year over a period of 1.5 years to develop their self-management and employee management and to implement an individual sustainability project. The projects address environmental and/or socially relevant topics such as e-mobility, waste reduction or sustainability in the supply chain. For example, one MSLP participant developed a self-assessment catalogue for small local fruit and vegetable farmers to help them cultivate their products in line with ‘good agricultural practice’ and to meet all METRO quality standards. At the same time, these suppliers are involved in the so-called ‘Ugly but Tasty’ project, which deals with the marketing of non-standardised fruits and vegetables and thus helps these smallholders reduce post-harvest losses.

Individual job performance reviews

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

Systematic succession planning

With the Leadership Talent Review (LTR) we have established a long-term-oriented process to develop our candidates for top positions within the company. The process supports our management team in identifying and supporting talented employees at an early stage. Once a year, we use this review to discuss succession planning for key positions. In the LTR, we examine the expertise, skills and experience of every candidate and rate these individuals according to the particular responsibilities of their respective positions. Subsequently, the employee and his/her line manager then create a career development plan and determine targeted measures.

Performance-based remuneration for executives

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

Remuneration principles

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

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

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

For both business segments, the 1-year variable remuneration is based on sales and profits. In the wholesale segment, customer satisfaction is an additional relevant key performance indicator. As part of the multi-year variable remuneration (long-term incentive, LTI), a specific plan has been developed for the top managers of the group with focus on the increase in value of each business segment. Among other things, the LTI is based on the future value of the company, which is assessed by external analysts. In both plans, sustainability is evaluated by the rank which METRO achieves in the Corporate Sustainability Assessment by RobecoSAM. Inclusion in the Dow Jones Sustainability Index is decided based on this ranking.

Executive compensation is complemented by benefits, such as an attractive pension model, encouragement for health check-ups and a mobility budget that can be used for a vehicle or train journeys as part of METRO's 'Green Car Policy'.

Continued development of employees

We are determined to promote lifelong learning among our employees as a way of responding to the current and future challenges in wholesale. Our programmes are constantly reviewed and continuously refined. The House of Learning business unit provides customised personnel development measures, learning solutions and services for the management holding company METRO AG as well as the METRO Wholesale sales line. The focus is on employees and executives from operations, sales force, food service distribution, category management and finance departments. Above all, the training curriculum aims to empower our employees to promote implementation of the METRO Wholesale corporate strategy with their actions, as well as to strengthen leadership skills and to intensify personal development. All training programmes can be adapted to local circumstances and, in the case of seminars and on-the-job training courses, delivered by internal full-time and part-time trainers.

TRAINING COURSES AT METRO WHOLESALE AND METRO AG[1]

	e-Learning modules, webinars and online courses	Seminars, on-the-job training	Total
Number	554,893	25,722	580,615
Participants	563,109	275,610	838,719
Participant hours	398,403	2,091,851	2,490,254
Training costs (€/participant)			22.72

[1] A split of training hours and costs for METRO Wholesale and METRO AG is currently not possible.

TRAINING COURSES AT REAL

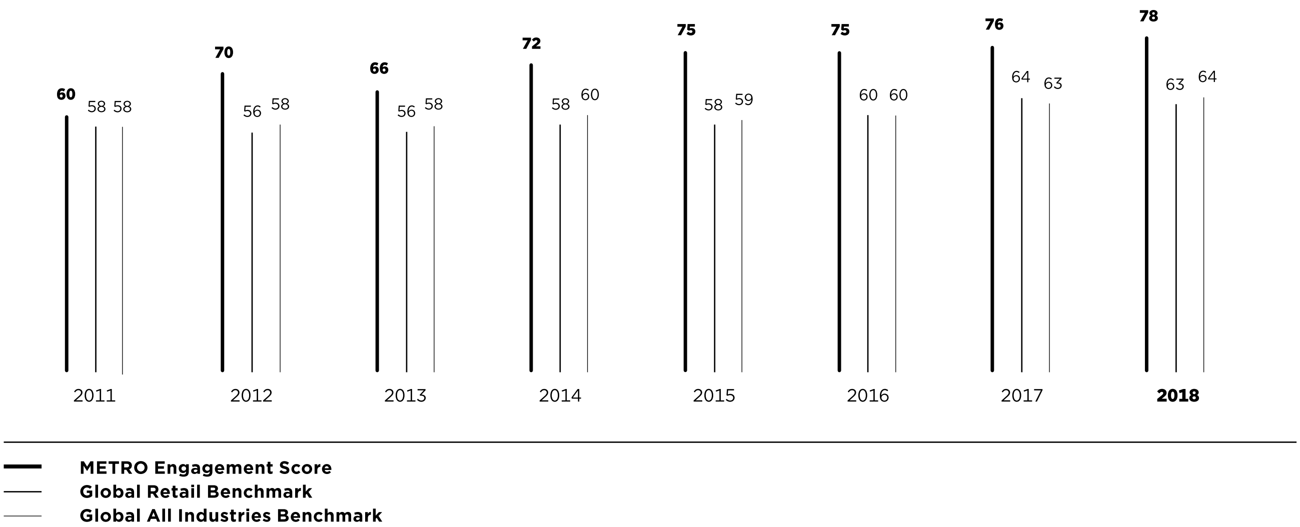
	e-Learning modules	Seminars and webinars	Total
Number	22,440	319	22,759
Participants	22,440	4,678	27,118
Participant hours	14,483	45,638	60,121
Training costs (€/participant)			124,81

In financial year 2017/18, we developed and introduced more learning opportunities, including topics such as delivery and customer service, which serve to provide a better understanding of financial contexts and compliance. Furthermore, the International Human Resources Development department implemented a multi-month programme called METRO2025. The task of the participants was to develop concepts in international teams that complement the corporate strategy of METRO Wholesale and add further value to customers. The most promising concepts are now being refined and implemented. The programme promoted cross-divisional, cross-border cooperation and solidarity with the wholesale business. At the same time, the participants were able to expand their project management skills. There are plenty more programmes aimed at supporting promising internal candidates in their career development. For example, at Real, more than 100 employees participated in corresponding training programmes during the reporting period before being promoted. The eligibility requirements and selection of participants vary for each programme. For example, employees may be nominated by their supervisor or they may apply by themselves.

Employee commitment
Our global employee survey METRO Voice is an important tool used to determine the commitment of the workforce and their loyalty to the company. We conduct the survey regularly in the country subsidiaries service companies and at METRO AG. Under the slogan 'Your opinion. Our dialogue.', more than 101,000 employees were invited to participate in the survey during the reporting period. 88% of the invited employees took part in the survey. The level of commitment, which indicates the degree of connection, pride in the company, loyalty and motivation, increased by 2 percentage points to 78% in financial year 2017/18. It far exceeds the score of consulting firm Aon Hewitt's Global Retail Benchmark (63%) and continues the positive trend of previous years.

This development can be traced back to an intensive follow-up process at the team level and to group-wide initiatives that we use to promote focus on innovative ideas and encourage the appreciation and recognition of our employees.

DEVELOPMENT OF THE ENGAGEMENT SCORE
in %



Occupational safety and health management

The demographic evolution of society, profound changes in the work environment and increasing competition for a good workforce require sustainable and forward-looking concepts for occupational safety as well as viable health management. The German METRO companies implemented a reporting system in order to identify areas with high accident rates or especially vulnerable employee groups, to evaluate causes of accidents and to define targeted countermeasures. The reporting system covered 98% of employees of German METRO group companies in financial year 2017/18. The companies mentioned above have been able to reduce the number of accidents compared to the equivalent period in financial year 2016/17. This reporting system is now to be implemented group-wide.

In financial year 2017/18, the Lost Time Injury Frequency Rate (LTIFR) was 41.8 (2016/17: 45.0). This system records the number of accidents that cause a downtime of at least one day (excluding the day of the accident) per 1 million working hours. Deaths and long-term incapacity or disability are also included, but commuting accidents are not.

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

Diversity management

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

Equal opportunities at work

We promote equal opportunities at work for men and women. METRO aims to further increase the proportion of women in executive positions. We have made progress towards this goal again during the past financial year. The objective is for 20% of employees on the first management level below the Management Board and 35% of employees on the second management level below the Management Board of METRO AG to be women by June 2022. Additionally, the Supervisory Board has stipulated the objective of having at least one female member appointed to the METRO AG Management Board by June 2022. This represents a female quota of 25% of the current Management Board which is comprised of 4 members. Furthermore, METRO has set a voluntary target for the share of women in executive positions at METRO Wholesale. By June 2022, 25% of managerial positions on levels 1–3 (including store managers) of METRO Wholesale locations worldwide will be filled by women. We will incorporate these goals in our succession planning and recruitment activities.

In 2017, METRO established a Diversity and Inclusion Committee, which created a long-term strategy and is pursuing to promote diversity within the organisation and harness it to benefit the business. As part of this strategy, the committee agreed on individual goals for the group companies with the Management Board of METRO AG, which are monitored using specific key figures. Another task of the aforementioned committee is to support the METRO companies in achieving their goals with best practice sharing and newly developed initiatives.

METRO is actively participating in various initiatives, such as the Diversity Charter, the LEAD Network and Prout at Work. Beyond that, various employee networks have become established. In 2018, METRO launched the Women Leadership Programme (WLP). Following the successful completion of the pilot programme in June 2018, preparations are currently underway to implement it by early 2019 for METRO AG, METRO Wholesale and the service companies.

Life-phase-oriented programmes

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

Human rights and employer-employee relationships

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

We ensure that our sales lines and their national subsidiaries comply with the principles of fair working conditions by auditing our head offices, stores and logistics centres. In order to improve the working conditions in the national subsidiaries, specific plans are being drawn up with the local colleagues, in which substantive measures with clear responsibilities and timetables are defined and executed. Since financial year 2016/17, extensive audits on compliance with the METRO principles have been performed in 11 national subsidiaries (Pakistan, Bulgaria, China, Japan, Hungary, Italy, Serbia, India, Slovakia, Moldova and Spain). Many areas returned promising results, while others showed potential for improvement, in particular in the area of occupational safety. All on-site audits were followed by comprehensive training on the METRO principles on fair working conditions. Audits are scheduled for 6 additional national subsidiaries in financial year 2018/19. METRO has set itself the goal to complete the auditing of all METRO Wholesale companies by 2020.

In addition, a training programme on forced labour was piloted in collaboration with the Amfori Business Social Compliance Initiative (Amfori BSCI) in the reporting period. The objective is to train METRO employees to recognise forced labour within the supply chain and to support the appropriate ability to act. The training will also be rolled out in all METRO countries by 2020.

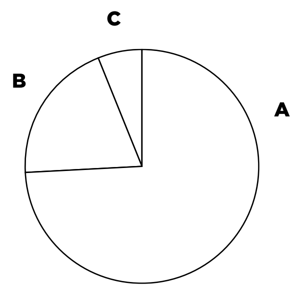
On a national and international level, METRO maintains constant communication with works councils and unions and encourages management to engage in constructive and mutually informative dialogue with our employees and their representatives. This dialogue resulted in several collective employment agreements at the level of business units, countries or individual stores – depending on local laws and customary practices.

After successful contract negotiations, a new European Works Council Committee was established in February 2018.

Development of employee numbers

During the reporting period, METRO employed an average of 134,877 full-time equivalents (2016/17: 137,136). This is a decrease of 1.6% compared to the same period in the previous year. The majority of our employees work outside of our home market Germany. Internationally, we had 90,749 full-time equivalents, 2.0% fewer than during the same period in the previous year. In Germany, the workforce by full-time equivalents decreased slightly to 44,128 (2016/17: 44,525). During the reporting period, METRO Wholesale employed an average of 100,335 full-time equivalents. This represents a decrease of 2.0% compared to the same period in the previous year. The workforce by full-time equivalents at Real declined by 0.8% to 26,394 while the number of full-time equivalents in the Others segment decreased by 0.2% to 8,148.

NUMBER OF EMPLOYEES BY SALES LINE
full-time equivalents as of the closing date of 30/9



A	**74.2%**	METRO Wholesale
B	**19.8%**	Real
C	**6.0%**	Others (including METRO AG)

DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENTS

by headcount as of the closing date of 30/9

	2017	**2018**
METRO Wholesale	**108,007**	**104,453**
METRO Wholesale Germany	14,105	**13,711**
METRO Wholesale Western Europe (excluding Germany)	27,607	**27,207**
METRO Wholesale Russia	16,053	**13,960**
METRO Wholesale Eastern Europe (excluding Russia)	29,557	**29,060**
METRO Wholesale Asia	20,685	**20,515**
Real	**34,195**	**33,688**
Others	**7,269**	**7,251**
METRO AG	**912**	**909**
METRO	**150,383**	**146,301**

DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENTS

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

	2017	**2018**
METRO Wholesale	**101,402**	**98,085**
METRO Wholesale Germany	12,153	**11,816**
METRO Wholesale Western Europe (excluding Germany)	24,249	**24,073**
METRO Wholesale Russia	15,905	**13,884**
METRO Wholesale Eastern Europe (excluding Russia)	28,819	**28,264**
METRO Wholesale Asia	20,276	**20,048**
Real	**26,460**	**26,200**
Others	**7,153**	**7,145**
METRO AG	**875**	**863**
METRO	**135,890**	**132,293**

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

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

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

Group-wide framework

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

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

- **Design of controls:** Taking a top-down approach, the company has identified the risk of material errors relating to the financial reporting for significant financial and accounting-related processes. In addition, the Corporate Accounting department has set out binding group-wide control objectives which the group companies must meet by employing company-specific control activities.
- **Implementation of controls:** The group companies must keep records of the implementation of these controls.
- **Effectiveness of controls:** The major group companies are obligated to evaluate the effectiveness of controls at the end of each financial year (self-evaluation). In the process, they must apply the uniform, group-wide method set out by the Corporate Accounting department. In addition, the effectiveness of controls is reviewed as part of the risk-oriented, independent audits conducted by the Group Internal Audit department.
- **Reporting:** The results of the self-evaluations must be reported to the Corporate Accounting department using a standardised reporting format. The companies' individual reports are validated by the Corporate Accounting department and compiled in an overall report on METRO's accounting-related internal control system. This is reported to the Governance, Risk, and Compliance Committee (GRCC) as well as the Management Board of METRO AG.

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

IFRS accounting guideline

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

Accounting processes of companies included in the consolidated financial statements

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

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

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

The planning tool divides the process of preparing the individual financial statements into key milestones, which in turn are divided into individual activities. In terms of content, these milestones and activities are geared towards METRO's IFRS accounting guideline and thus reflect its implemented state. Compliance with additional deadlines and milestones that are centrally provided by the planning tool for the purpose of structuring and coordinating the preparation of the consolidated financial statements is monitored by METRO AG's Corporate Accounting department. The scheduling and monitoring of the milestones and activities required to achieve these group milestones in the preparation of individual financial statements are part of the responsibilities of the respective company's management.

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

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

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

Accounting processes for consolidation purposes

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

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

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

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

Independent audit/validation

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

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

3 ECONOMIC REPORT

3.1 MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Global economy

Overall, the development of the global economy in financial year 2017/18 was positive and remained at a similar level as in the previous year. However, the upswing reached its expected peak in 2018. Trade policy conflicts and protectionism, primarily triggered by the USA, are causing increasing uncertainty, especially for export-driven economies.

Germany

The German economy continued to be robust in financial year 2017/18 across all sectors and grew at a low level. This was also due to high domestic demand and positive consumer spending, which was supported by the positive labour market situation and real wage increases. Germany's exports remained very strong, especially within the euro area and in China. The impact of trade policy conflicts with the United States has not yet materialised on a larger scale.

Western Europe

Stable domestic demand also played a major role in the economic trend seen in the rest of Western Europe. Despite a slight weakening compared to the previous year, the economy in Western Europe remained robust in financial year 2017/18. While Spain developed relatively positively, Italy showed rather low growth dynamics.

Domestic demand was supported by rising private consumption and the continuing improvement in the labour market situation. This is substantiated by data on retail sales and other sectors. Price inflation was rather moderate in the past financial year.

Russia

Overall, the inflation-adjusted economy in Russia continued to show restrained growth, however this trend was less pronounced in the course of 2018. The inflation rate dropped at the beginning of financial year 2017/18, but increased more rapidly as the year progressed. The rouble fell sharply in the course of financial year 2017/18. The unemployment rate continued to drop and stayed below the previous year's level. Private consumption grew steadily, which can also be explained by the rise in real wages.

Eastern Europe

Throughout financial year 2017/18, the national economies of Eastern Europe exhibited solid overall growth, with the exception of Turkey. The positive trend of the other Eastern European countries was reflected in private consumption and the retail industry, which was also driven by a continued drop in unemployment as well as wage increases.

Turkey is the only exception in this group. After an initially strong start, the economic situation in Turkey became markedly negative, including high inflation and a strong decline in the value of its currency. Turkey is headed for recession, which may have also been influenced by political conflicts with the USA.

Asia

Compared to the previous year, the national economies of Asia continued to record stable growth rates in financial year 2017/18. However, despite the high level of China's growth, the growth rate slowed down in the course of financial year 2017/18, with the inflation rate rising again. Retail sales and the labour market remained stable. In comparison to China, India recorded even stronger growth rates, but these were accompanied by an increase in the inflation rate. Overall, the Asian region topped the growth trend compared to the other regions.

DEVELOPMENT OF GROSS DOMESTIC PRODUCT IN KEY GLOBAL REGIONS AND GERMANY

Year-on-year change in %

	2017[1]	**2018[2]**
World	3.7	**3.7**
Germany	2.5	**1.8**
Western Europe (excluding Germany)	2.3	**1.9**
Russia	1.5	**1.9**
Eastern Europe (excluding Russia)	2.6	**4.1**
Asia	5.6	**5.6**

Source: Oxford Economics, Russian Statistical Office
[1] The previous year's figures may deviate from the Annual Report 2016/17 because the data provider has been changed. The growth rates refer to values adjusted for purchasing power. The regions correspond to the logic of the data provider.
[2] Forecast.

Development in the self-service wholesale sector

On a global scale, self-service wholesale trade sales were at a similar level to the previous year; however, the development varied between the countries in which METRO operates. The sectors of our main customer groups HoReCa and Traders developed positively again compared to the same period in the previous year.

Sales in the German self-service wholesale trade sector declined slightly in financial year 2017/18. Compared to financial year 2016/17, sales in the HoReCa and Traders sectors increased to a very good level.

In Western Europe, the self-service wholesale trade sector recorded stable growth, slightly below the previous year's level, mainly driven by France, Portugal and Spain. The HoReCa industry sector also recorded sales growth.

In Russia, the self-service wholesale trade sector grew again in financial year 2017/18 – after a downturn in the previous year. The sales of our customer groups HoReCa and Traders also developed positively.

In the countries of Central and Eastern Europe, self-service wholesale trade and the HoReCa and Traders sectors developed in a varied manner. The Turkish self-service wholesale trade sector grew once again, as did the industry sectors of our customer groups HoReCa and Traders. However, in the course of financial year 2017/18, there was a marked increase in inflation. Romania experienced high growth in all areas. In Poland and the Czech Republic, the self-service wholesale trade market stagnated or even declined slightly. By contrast, the sales trend for the HoReCa and Traders sectors grew in these countries.

The Asian markets in which METRO operates outperformed the level seen in financial year 2016/17, especially in China and India.

Development in the modern food retail sector

In financial year 2017/18, the food retail sector (including discounters and drugstores) recorded nominal sales growth of around 2.5%. Increases in food prices contributed significantly to the positive trend. However, the growth is also attributable to positive quantity effects. Overall, all formats increased their sales. However, the development of hypermarkets was weaker than that of the other formats, such as the full-range stores and discounters. This is due to the ongoing restructuring and modernisation process across the entire industry.

On an international comparison, the online food business in Germany continued to play a subordinate role. This is mainly attributable to the dense network of grocery stores. Nonetheless, online food retail continued to show strong momentum with double-digit growth rates.

3.2 ASSET, FINANCIAL AND EARNINGS POSITION

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

Global economic growth in financial year 2017/18 was positive overall, with the rate of growth remaining similar to the previous year. Trade disputes, however, continue to cause increasing uncertainty about future developments.

The Management Board can look back on a challenging financial year. METRO increased its like-for-like sales in a difficult market environment. In Germany, it achieved a slight improvement in like-for-like sales as a result of growth with HoReCa customers; Eastern Europe (excluding Russia) and Asia recorded considerable sales growth. In Russia, the strategic transformation advanced after a challenging first half of the year, and the initiated measures are beginning to bear fruit.

Overall, the Management Board is satisfied with the company's performance, especially because the adjusted financial goals were achieved. As a result, we will once again propose an attractive dividend to our shareholders.

On 13 September 2018, the Management Board of METRO AG also decided to initiate the sales process for the hypermarket business and to turn its full attention to the wholesale business.

The hypermarket business for sale is reported as a discontinued operation as of 30 September 2018 due to the ongoing sales process. The discontinued segment primarily includes Real and some other individual companies or assets. All following explanations of the business development focus on the continuing operations unless stated otherwise. The comparison of the forecast for financial year 2017/18 with the actual development, however, is made on the basis of the entire group including the hypermarket business.

FINANCIAL AND ASSET POSITION

Financial management

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

Intra-group cash pooling allows the surplus liquidity of individual group companies to be used to cover the liquidity needs of other group companies. This reduces the amount of external financing and thus the interest expense. The financial activities are based on a financial budget for the group that covers all significant companies.

METRO AG's current long-term investment grade rating of BBB– and short-term rating of A–3 by Standard & Poor's support access to international financial and capital markets. We make use of this access for our commercial paper programme as well as our bond issuance programme as required.

We support our access to capital markets by engaging in regular dialogue with credit investors and analysts. The following principles apply to all group-wide financial activities:

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

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

Rating

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

Category	2018
Long-term	BBB–
Short-term	A–3
Outlook	stable

Financing measures

The company's medium-term and long-term financing needs are covered by an ongoing capital market bond programme with a maximum volume of €5 billion. On 13 February 2018, a maturing bond in the amount of €50 million with a coupon of 3.5% was repaid on time and on 11 May 2018, a maturing bond in the amount of €500 million with a coupon of 2.25% was repaid on time. On 6 March 2018, a bond of €500 million was placed with a coupon of 1.125%. As of 30 September 2018, the bond issuance programme utilised amounted to a total of €2,401 million.

Short-term financing requirements are covered through the Euro Commercial Paper Programme, which has a maximum volume of €2 billion. On average, the programme utilised €583 million during the reporting period. As of 30 September 2018, utilisation amounted to €497 million (30/9/2017: €754 million).

Bilateral credit facilities totalling €383 million were used as of 30 September 2018. As a cash reserve, 2 syndicated credit facilities worth €1,750 million and additional multi-year credit facilities worth €250 million were concluded. At no point during the reporting period were the syndicated credit facilities used.

— **For more information about financing programmes and credit facilities, see the notes to the consolidated financial statements in no. 37 – financial liabilities.**

In addition to the established issuance programmes, the group thus had access to sufficient liquidity at all times. The undrawn credit facilities are also shown in the notes, no. 37 – financial liabilities.

UNDRAWN CREDIT FACILITIES BY METRO

	30/9/2017			**30/9/2018**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Bilateral credit facilities	531	174	357	**633**	**318**	**315**
Utilisation	–281	–174	–107	**–383**	**–318**	**–65**
Undrawn bilateral credit facilities	**250**	**0**	**250**	**250**	**0**	**250**
Syndicated credit facilities	1,750	0	1,750	**1,750**	**0**	**1,750**
Utilisation	0	0	0	**0**	**0**	**0**
Undrawn syndicated credit facilities	**1,750**	**0**	**1,750**	**1,750**	**0**	**1,750**
Total credit facilities	**2,281**	**174**	**2,107**	**2,383**	**318**	**2,065**
Total utilisation	–281	–174	–107	**–383**	**–318**	**–65**
Total undrawn credit facilities	**2,000**	**0**	**2,000**	**2,000**	**0**	**2,000**

Investments/divestments

In financial year 2017/18, the continuing and discontinued segments of METRO invested €811 million, slightly less overall than the investment volume in the previous year. Adjusted for the acquisition of Pro à Pro in the previous financial year, investments in IT and digitalisation, concept changes and lease extensions increased. The investments made by the continuing business segment amount to €600 million in financial year 2017/18. The discontinued segment reported an investment volume of €211 million. With 14 new store openings in financial year 2017/18, expansion activity increased slightly compared to the previous year (2016/17: 13 new store openings).

METRO INVESTMENTS

€ million	2016/17	**2017/18**	Change absolute	Change %
METRO Wholesale	547	**408**	–140	–25.5
Real[1]	131	**209**	78	59.4
Others[2]	149	**196**	47	31.8
Consolidation	0	**–2**	–2	–
METRO	**827**	**811**	**–17**	**–2.0**

[1] Primarily includes discontinued operations.
[2] Includes both continuing and discontinued operations.

METRO Wholesale invested €408 million in financial year 2017/18. Its investments thus amount to €140 million less than in the previous year. This considerable decline in investments is primarily due to the acquisition of the delivery specialist Pro à Pro in financial year 2016/17. Adjusted for this effect, the investment volume is at the previous year's level. METRO Wholesale continues to focus on optimising its investment processes. This includes the capital-efficient expansion of its delivery business and selective expansion involving smaller, more cost-effective formats. In financial year 2017/18, expansion efforts focused on China and Russia. We added 5 and 4 new METRO stores, respectively, to the existing store network in these countries. The opening of 3 new METRO stores in India advanced our expansion on the subcontinent. Our store network in Belgium and France gained one new METRO store each. One store each closed down in China, Germany, Italy and Poland.

In financial year 2017/18, **Real** invested €209 million. These investments were made entirely in the discontinued segment. They correspond to a €78 million increase compared to the previous year. This increase in investment is mainly due to the extension of leases for multiple stores. Several Classic stores were renovated. Real closed 3 stores in Germany during financial year 2017/18, 2 of which are only temporary closures due to renovation work.

Investments in the **Others** segment totalled €196 million in financial year 2017/18 (2016/17: €149 million). The vast majority of these investments was made in the continuing segments; in particular, IT and digitalisation (for example expansion of digital services for wholesale customers and IT solutions for the delivery business), project development, modernisation measures as well as the expansion of the logistics network in Germany.

Divestments (including disposals but excluding financial investments) generated cash for METRO in the amount of €324 million (2016/17: €211 million) mainly resulting from the sale of real estate.

— **For more information about divestments, see the cash flow statement in the consolidated financial statements as well as the notes to the consolidated financial statements in no. 42 – notes to the cash flow statement.**

Liquidity (cash flow statement)

Cash inflow from operating activities in financial year 2017/18 amounted to €874 million (2016/17: cash inflow of €851 million). Investing activities led to cash outflow of €296 million (2016/17: cash outflow of €457 million). Compared with the previous year's period, this represents an increase in cash flow before financing activities of €184 million to €578 million.

Cash flow from financing activities showed cash outflows of €581 million (2016/17: cash outflow of €375 million). Total cash flow from discontinued operations amounts to €–133 million (2016/17: €–31 million).

— **For more information, see the cash flow statement in the consolidated financial statements as well as the notes to the consolidated financial statements in no. 42 – notes to the cash flow statement.**

CASH FLOW STATEMENT[1]

€ million	2016/17	**2017/18**
Cash flow from operating activities of continuing operations	851	**874**
Cash flow from operating activities of discontinued operations	176	**31**
Cash flow from operating activities	**1,027**	**905**
Cash flow from investing activities of continuing operations	–457	**–296**
Cash flow from investing activities of discontinued operations	–144	**–85**
Cash flow from investing activities	**–601**	**–381**
Cash flow before financing activities of continuing operations	394	**578**
Cash flow before financing activities of discontinued operations	32	**–54**
Cash flow before financing activities	**426**	**524**
Cash flow from financing activities of continuing operations	–375	**–581**
Cash flow from financing activities of discontinued operations	–63	**–79**
Cash flow from financing activities	**–438**	**–660**
Total cash flows	**–12**	**–136**
Currency effects on cash and cash equivalents	–25	**–30**
Total change in cash and cash equivalents	**–37**	**–166**

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

Capital structure

As of 30 September 2018, the METRO group balance sheet reports equity attributable to continuing and discontinued operations in the amount of €3.1 billion (30/9/2017: €3.2 billion). The decrease in the reserves retained from earnings is due to currency translation differences in the amount of €189 million and dividend payouts for financial year 2016/17 in the amount of €254 million. This is offset by the profit for the period attributable to the shareholders of METRO AG, which amounts to €344 million, and the remeasurement of defined benefit pension plans in the amount of €17 million.

The equity ratio stands at 20.5% (30/9/2017: 20.3%).

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

€ million	Note no.	30/9/2017	**30/9/2018**
Equity	32	**3,207**	**3,130**
Share capital		363	**363**
Capital reserve		6,118	**6,118**
Reserves retained from earnings		–3,320	**–3,392**
Non-controlling interests		46	**41**

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

Net debt pertaining to continuing operations has decreased slightly by €21 million compared to the previous year and totals €2.7 billion as of 30 September 2018 (30/9/2017: €2.7 billion). Cash and cash equivalents decreased by €0.2 billion as of 30 September 2018 to €1.3 billion (30/9/2017: €1.5 billion). In contrast, financial liabilities decreased by a similar amount, by €0.2 billion to €4.0 billion (30/9/2017: €4.2 billion).

€ million	30/9/2017	30/9/2017 adjusted[1]	**30/9/2018**
Cash and cash equivalents according to the balance sheet	1,559	1,464	**1,298**
Short-term financial investments[2]	5	1	**2**
Financial liabilities (incl. finance leases)	4,706	4,197	**4,010**
Net debt	**3,142**	**2,732**	**2,710**

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

The non-current liabilities of the continuing segment amount to €3.4 billion as of 30 September 2018. The previous year's figure, adjusted for the non-current liabilities of the hypermarket business, totalled €3.6 billion. This change of €–0.2 billion is primarily due to the utilisation of provisions and reclassification to current liabilities of €120 million.

As of 30 September 2018, METRO had current liabilities totalling €8.7 billion (30/9/2017: €9.0 billion (adjusted)). The decline of €0.3 billion compared to the adjusted figure of the previous year is primarily due to a reduction in financial liabilities by €140 million. Provisions declined by €56 million, which was primarily due to utilisation. In the trade liabilities, currency effects, on the one hand, and changed payment arrangements and increased purchasing volumes, on the other hand, offset each other almost in full in individual countries.

Compared to 30 September 2017, the debt ratio of the continuing segment has declined by 0.2 percentage points, from 79.7% to 79.5%. Correspondingly, the share of current liabilities in total liabilities amounts to 71.9% (30 September 2017: 71.3%). This represents an increase of 0.6 percentage points.

— **For more information about the maturity, currency and interest rate structure of financial liabilities as well as the credit facilities, see the notes to the consolidated financial statements in no. 37 – financial liabilities.**

€ million	Note no.	30/9/2017	30/9/2017 adjusted[1]	**30/9/2018**
Non-current liabilities		**4,197**	**3,607**	**3,406**
Provisions for post-employment benefits plans and similar obligations	33	557	516	**468**
Other provisions	34	283	246	**126**
Financial liabilities	35, 37	3,095	2,637	**2,590**
Other financial and other non-financial liabilities	35, 38	162	119	**123**
Deferred tax liabilities	25	100	89	**100**
Current liabilities		**8,376**	**8,966**	**8,705**
Trade liabilities	35, 36	4,782	4,000	**3,993**
Provisions	34	456	329	**274**
Financial liabilities	35, 37	1,611	1,560	**1,420**
Other financial and other non-financial liabilities	35, 38	1,345	1,195	**1,136**
Income tax liabilities	35	167	167	**191**
Liabilities related to assets held for sale	31	15	1,715	**1,691**

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

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

Asset position

In financial year 2017/18, the balance sheet total of the continuing and discontinued operations decreased by €537 million to €15.2 billion (30/9/2017: €15.8 billion).

In the non-current assets of the continuing operations, a decline of €260 million to €7.5 billion was recorded in financial year 2017/18 (30/9/2017: €7.8 billion), which primarily related to the tangible assets. Besides cost-efficient investment activities, individual real estate sales and currency effects contributed to this decline.

€ million	Note no.	30/9/2017	30/9/2017 adjusted[1]	**30/9/2018**
Non-current assets		**9,225**	**7,799**	**7,540**
Goodwill	19	875	815	**797**
Other intangible assets	20	473	457	**499**
Tangible assets	21	6,822	5,589	**5,314**
Investment properties	22	126	115	**97**
Financial assets	23	92	71	**88**
Investments accounted for using the equity method	23	183	183	**178**
Other financial and other non-financial assets	24	217	206	**202**
Deferred tax assets	25	439	364	**365**

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

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

Compared to the adjusted previous year's figure, current assets have declined by €277 million to €7.7 billion (30/9/2017: €8.0 billion). In particular, inventories contributed a primarily currency-related decline of €173 million to €2.1 billion (30/9/2017: €2.3 billion).

€ million	Note no.	30/9/2017	30/9/2017 adjusted[1]	**30/9/2018**
Current assets		**6,554**	**7,980**	**7,703**
Inventories	26	3,046	2,281	**2,108**
Trade receivables	27	575	554	**571**
Financial assets		1	1	**1**
Other financial and other non-financial assets	24	1,214	960	**913**
Entitlements to income tax refunds		148	148	**206**
Cash and cash equivalents	30	1,559	1,464	**1,298**
Assets held for sale	31	11	2,572	**2,605**

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

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

EARNINGS POSITION

Overview of group business development

The following section reports on continuing and discontinued operations.

In financial year 2017/18, METRO's like-for-like **sales** rose by 0.7%. This growth is attributable to a positive development at METRO Wholesale, while Real experienced a decline in this respect. In local currency, METRO sales increased by 0.7%. By contrast, reported sales decreased by 1.6% to €36.5 billion due to negative currency effects.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) excluding earnings contributions from real estate transactions totalled €1,396 million in 2017/18 (2016/17: €1,436 million). This decrease is mainly attributable to the decline in sales in Russia, negative currency development and a negative effect on earnings resulting from the termination of the future collective agreement at Real. Adjusted for currency effects, EBITDA excluding earnings contributions from real estate transactions rose by 1.2%.

Earnings contributions from real estate transactions totalled €129 million (2016/17: €175 million). EBITDA reached €1,525 million (2016/17: €1,611 million).

€ million	2016/17	**2017/18**	Change
Sales	37,140	**36,534**	−1.6%
EBITDA excluding earnings contributions from real estate transactions	1,436	**1,396**	−2.8%
Earnings contributions from real estate transactions	175	**129**	−26.5%
EBITDA	1,611	**1,525**	−5.3%
EBIT	852	**740**	−13.2%
Investments	827	**811**	−2.0%
Stores	1,041	**1,048**	0.7%
Selling space (1,000 m²)	7,249	**7,152**	−1.3%

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

	Continuing and discontinued operations			Continuing operations		
€ million	2016/17	**2017/18**	Change	2016/17	**2017/18**	Change
Total sales in €	**37,140**	**36,534**	**−1.6%**	**29,903**	**29,476**	**−1.4%**
Total sales in local currency[1]	36,285	**36,534**	0.7%	29,048	**29,476**	1.5%
Sales of stores that were not part of the like-for-like panel in 2017/18[2]	1,830	**1,849**	–	1,540	**1,617**	–
Like-for-like sales in local currency	**34,455**	**34,685**	**0.7%**	**27,508**	**27,859**	**1.3%**

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

Comparison of forecast with actual business developments

Due to the negative development in Russia, which was already foreseeable in the middle of the financial year, and the negative effects resulting from the cancellation of the future collective agreement at Real, the Management Board of METRO AG adjusted its forecast on 20 April 2018.

The comparison with the forecast for financial year 2017/18 continues to refer to METRO including the hypermarket business.

For the past financial year, METRO had forecast a growth rate for total sales of at least 0.5% (originally 1.1%) based on the assumption of stable exchange rates. With an increase of 0.7% in local currency, METRO met this target. Like-for-like sales were forecast to grow by slightly more than 0.5% (originally also slightly more than 0.5%). With an increase of 0.7%, this target was met as well.

The Management Board of METRO AG expected a slight increase in EBITDA (adjusted for currency effects and excluding earnings contributions from real estate transactions) (originally by around 10%) compared to the figure of €1,436 million in financial year 2016/17. Adjusted for negative currency effects of €56 million, METRO's EBITDA excluding earnings contributions from real estate transactions was €16 million or 1.2% higher than in the previous year.

METRO thus met its adjusted sales and earnings targets in financial year 2017/18.

Sales and earnings development of the segments

At the beginning of financial year 2017/18, METRO started presenting the segment reporting as described below.

The operating segments METRO Wholesale Germany, METRO Wholesale Western Europe (excluding Germany), METRO Wholesale Russia, METRO Wholesale Eastern Europe (excluding Russia), METRO Wholesale Asia, Real and Others were represented in the notes to the consolidated financial statements as reportable segments pursuant to IFRS 8. The Others segment includes all METRO Wholesale companies and other activities that cannot be allocated to the other companies. In addition to the centralised activities of METRO, these include, among others, the following: the procurement organisation in Hong Kong, which also operates on behalf of third parties, logistics services and the real estate activities of METRO PROPERTIES – provided that they are not attributed to any sales lines (that is speciality stores, warehouses, head offices, etc.) – and Hospitality Digital. Separate reporting by regions is omitted.

The combined management report, on the other hand, includes the operating segments METRO Wholesale Germany, METRO Wholesale Western Europe (excluding Germany), METRO Wholesale Russia, METRO Wholesale Eastern Europe (excluding Russia), METRO Wholesale Asia and METRO Wholesale Others, which are aggregated as 'METRO Wholesale' taking account of consolidations. Unlike the segment reporting pursuant to IFRS 8, the other METRO Wholesale companies (for example international trading offices) fall under the METRO Wholesale Others segment. The combined management report also covers the Real and Others segments.

METRO Wholesale

Like-for-like **sales** of METRO Wholesale increased by 1.3% in financial year 2017/18. The growth was particularly pronounced in Eastern Europe (excluding Russia) and Asia. Sales in local currency rose 1.5%. As a result of unfavourable exchange rate developments especially in Russia, Asia and Eastern Europe, reported sales decreased by 1.4% to €29.5 billion.

In **Germany,** like-for-like sales in financial year 2017/18 rose by 0.8%, while reported sales rose by 0.1%.

In 2017/18, like-for-like sales in **Western Europe (excluding Germany)** decreased by 0.4%. Reported sales increased by 1.7% to €10.6 billion. The acquisition of Pro à Pro in the first half of the year, which has been contributing to the overall sales since 1 February 2017, was particularly noticeable here.

In **Russia,** like-for-like sales in financial year 2017/18 declined significantly by 7.0%, corresponding to a decline of 8.0% in local currency. Following challenges in the first half of the year, the initiated business transformation measures started bearing fruit in the second half. As a result of negative currency effects, the reported sales decreased by 16.3%.

In **Eastern Europe (excluding Russia),** like-for-like sales in the financial year were clearly positive with an increase of 6.1%. Ukraine, Turkey and Romania especially contributed to this with 2-digit growth rates each. In local currency, sales grew by 5.6%. Due to negative currency effects, especially in Turkey, reported sales increased solely by 1.0%.

Like-for-like sales in **Asia** increased by 4.0% in financial year 2017/18. All countries of the segment contributed to this. Sales in local currency rose 4.4%. As a result of unfavourable exchange rate developments, reported sales decreased by 1.4%.

METRO Wholesale's **delivery business** showed a very positive momentum, with sales rising by approximately 14% to €5.3 billion in financial year 2017/18. In particular, the acquisition of Pro à Pro in the previous year contributed to this increase. As a result, the delivery business now accounts for 18% of total sales.

As of 30 September 2018, the **store network** comprised 769 locations (30/9/2017: 759 locations). 14 stores opened in financial year 2017/18 (1 store each in Belgium and France, 3 in India, 4 in Russia, 5 in China), and 4 stores closed (1 store each in China, Germany, Italy and Poland).

METRO WHOLESALE KEY FIGURES I FOR 2017/18
in year-on-year comparison

	Sales (€ million)		Change in % compared with the previous year's period			
			in group currency (€)	Currency effects in percentage points	in local currency	Like-for-like sales in local currency
	2016/17	**2017/18**				
Sales	**29,866**	**29,451**	**−1.4%**	**−2.9%**	**1.5%**	**1.3%**
Germany	4,745	**4,750**	0.1%	0.0%	0.1%	0.8%
Western Europe (excluding Germany)	10,432	**10,609**	1.7%	0.0%	1.7%	−0.4%
Russia	3,363	**2,815**	−16.3%	−8.3%	−8.0%	−7.0%
Eastern Europe (excluding Russia)	6,886	**6,952**	1.0%	−4.7%	5.6%	6.1%
Asia	4,360	**4,298**	−1.4%	−5.8%	4.4%	4.0%
Others	81	**27**	−66.3%	0.0%	−66.3%	0.0%
Locations (number)	**759**	**769**	**–**	**–**	**–**	**–**
Selling space (1,000 m²)	**5,307**	**5,234**	**–**	**–**	**–**	**–**

The **EBITDA excluding earnings contributions from real estate transactions** reached a total of €1,321 million in financial year 2017/18 (2016/17: €1,413 million). This corresponds to a change adjusted for currency effects of €−35 million compared to the same period in the previous year. The decline in Russia in the amount of €79 million (€−46 million after adjustment for currency effects) is predominantly attributable to sales and margins and includes a positive once-off effect in the amount of approximately €10 million. The positive development in Western Europe and Germany partially offset this decline. Adjusted for currency effects, Eastern Europe (€+11 million) and Asia (€+8 million) also developed positively. In the METRO Wholesale Others segment, increased IT expenses during the current financial year and income from the reversal of provisions in the previous year were the main reasons for the result (€−36 million adjusted for currency effects).

The **earnings contributions from real estate transactions** declined by €57 million compared with the previous year. While in financial year 2016/17 a major transaction took place in China, a real estate transaction in Spain contributed particularly to the result. In total, EBITDA fell to €1,380 million (2016/17: €1,528 million).

METRO WHOLESALE KEY FIGURES II FOR 2017/18

€ million	EBITDA excluding earnings contributions from real estate transactions 2016/17	2017/18	Change (€)	Earnings contributions from real estate transactions 2016/17	2017/18	EBITDA 2016/17	2017/18	EBIT 2016/17	2017/18	Investments 2016/17	2017/18
METRO Wholesale	1,413	**1,321**	–91	115	**59**	1,528	**1,380**	1,035	**947**	547	**408**
Germany	88	**91**	3	–1	**0**	87	**91**	13	**15**	40	**65**
Western Europe (excluding Germany)	466	**491**	25	6	**39**	472	**530**	302	**388**	310	**127**
Russia	345	**266**	–79	0	**0**	345	**266**	290	**214**	72	**83**
Eastern Europe (excluding Russia)	367	**363**	–4	0	**12**	367	**375**	257	**278**	55	**69**
Asia	162	**162**	0	110	**8**	272	**170**	191	**105**	70	**63**
Others/Consolidation	–16	**–52**	–36	0	**0**	–16	**–52**	–17	**–53**	1	**0**

Real

Real's like-for-like **sales** declined by 1.7% in financial year 2017/18. This decline is in particular attributable to persistent warm weather and a temporarily limited availability of goods in the second half of the year. Reported sales decreased by 2.3% to €7 billion due to 3 market closures, some of which were temporary.

Online sales continued to develop very positively. In financial year 2017/18, they increased by around 35% and achieved a share of sales of approximately 2%.

The **EBITDA excluding earnings contributions from real estate transactions** reached a total of €143 million in financial year 2017/18 (2016/17: €154 million). The previous year included restructuring expenses of €60 million. The result was negatively affected in the amount of around €50 million by the termination of the future collective agreement that took place in the current financial year. **Earnings contributions from real estate transactions** amounted to €12 million (2016/17: €6 million). EBITDA amounted to €155 million (2016/17: €159 million).

As part of the required annual impairment test, goodwill of €64 million attributed to Real was written down in full. This is the primary reason for the considerable increase in impairment losses compared to the previous year.

As of 30 September 2018, the **store network** spanned 279 individual stores (2016/17: 282 stores), 3 less than on the reporting date in the previous year (of which 2 were temporary closures due to renovation work).

REAL[1] KEY FIGURES I FOR 2017/18
in year-on-year comparison

	Sales (€ million) 2016/17	2017/18	Change in % compared with the previous year's period: in group currency (€)	Currency effects in percentage points	in local currency	Like-for-like sales in local currency
Sales	**7,247**	**7,077**	**–2.3%**	**0.0%**	**–2.3%**	**–1.7%**
Locations (number)	**282**	**279**	**–**	**–**	**–**	**–**
Selling space (1,000 m²)	**1,941**	**1,919**	**–**	**–**	**–**	**–**

[1] Primarily includes discontinued operations.

REAL[1] KEY FIGURES II FOR 2017/18

€ million	EBITDA excluding earnings contributions from real estate transactions 2016/17	2017/18	Change (€)	Earnings contributions from real estate transactions 2016/17	2017/18	EBITDA 2016/17	2017/18	EBIT 2016/17	2017/18	Investments 2016/17	2017/18
Real	154	**143**	−11	6	**12**	159	**155**	19	**−76**	131	**209**

[1] Primarily includes discontinued operations.

Others
The Others segment comprises, among others, the centralised activities of METRO, the procurement organisation in Hong Kong, which also operates on behalf of third parties, logistics services and real estate activities of METRO PROPERTIES which are not attributed to any sales lines (that is speciality stores, warehouses, head offices, etc.) and Hospitality Digital.

In financial year 2017/18, **sales** in the Others segment decreased by €20 million to €7 million (2016/17: €27 million). This decline is mainly attributable to the fact that in the first quarter of the previous year, sales still included the 4 Real stores in Romania that have since been sold.

The **EBITDA excluding earnings contributions from real estate transactions** amounted to €−63 million in financial year 2017/18 (2016/17: €−133 million). While the result in the first half-year was supported by reversals of provisions and once-off income in relation to the settlement of earlier acquisitions, the third quarter was affected by start-up costs for the new warehouse structure in Germany and expenses incurred in relation to the resignation of a member of the Management Board. The result in the fourth quarter of 2016/17 suffered from one-off expenses in a high 2-digit range, which were related to the demerger. **Earnings contributions from real estate transactions** amounted to €58 million (2016/17: €60 million). EBITDA amount to €−5 million (2016/17: €−73 million).

OTHERS[1] KEY FIGURES I FOR 2017/18
in year-on-year comparison

	Sales (€ million) 2016/17	2017/18
Sales	**27**	**7**

[1] Includes both continuing and discontinued operations.

OTHERS[1] KEY FIGURES II FOR 2017/18

€ million	EBITDA excluding earnings contributions from real estate transactions 2016/17	2017/18	Change (€)	Earnings contributions from real estate transactions 2016/17	2017/18	EBITDA 2016/17	2017/18	EBIT 2016/17	2017/18	Investments 2016/17	2017/18
Others	−133	**−63**	71	60	**58**	−73	**−5**	−201	**−126**	149	**196**

[1] Includes both continuing and discontinued operations.

Net financial result and taxes

€ million	2016/17	2017/18
Earnings before interest and taxes EBIT	**833**	**823**
Earnings share of non-operating companies recognised at equity	0	**0**
Other investment result	1	**0**
Interest income/expenses (interest result)	–128	**–128**
Other financial result	–32	**–2**
Financial result	**–159**	**–130**
Earnings before taxes EBT	**674**	**693**
Income taxes	–295	**–235**
Profit or loss for the period from continuing operations	**379**	**458**
Profit or loss for the period from discontinued operations after taxes	–34	**–110**
Profit or loss for the period	**345**	**348**

Net financial result

The net financial result from continuing operations primarily comprises the interest result of €–128 million (2016/17: €–128 million) and the other financial result of €–2 million (2016/17: €–32 million). Interest is at the level of the previous year. The improvement in the other financial result by €30 million to €–2 million is primarily the result of more favourable currency exchange rates and the reversal of a liability from contingent consideration in the context of an acquisition.

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

€ million	2016/17	2017/18
Actual taxes	222	**231**
thereof Germany	(27)	**(14)**
thereof international	(195)	**(217)**
thereof tax expenses/income of current period	(217)	**(252)**
thereof tax expenses/income of previous periods	(5)	**(–21)**
Deferred taxes	73	**4**
thereof Germany	(–8)	**(39)**
thereof international	(81)	**(–35)**
	295	**235**

Taxes

The reported income tax expenses of €235 million (2016/17: €295 million) are €60 million lower than in the previous year.

During the reporting period, the group tax rate for continuing segment is 33.9% (2016/17: 43.8%). The group tax rate is the ratio between recognised income tax expenses and earnings before taxes. Besides positive effects from tax rate changes abroad and lower impairment losses on deferred taxes, the comparatively low rate in the current financial year was especially due to lower expenses for risk provisioning and other one-time effects. The high rate of the previous year was influenced by expenses associated with the demerger, which did not result in reduced tax-expenses.

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

Profit or loss for the period and earnings per share
The profit for the period from continuing operations reached €458 million in financial year 2017/18, amounting to €79 million more than the profit for the previous year's period (2016/17: €379 million).

The profit for the period from METRO's continuing and discontinued operations reached €348 million in financial year 2017/18, amounting to €3 million more than the profit for the previous year's period (2016/17: €345 million).

Net of earnings per share of non-controlling interests, profit for the period attributable to the shareholders of METRO AG from continuing and discontinued operations amounts to €344 million (2016/17: €325 million). This represents an increase of €19 million. An improvement of €95 million resulted from continuing operations.

On this basis, METRO achieved a result of €0.95 per share from its continuing and discontinued operations in financial year 2017/18 (2016/17: €0.89), of which €1.25 came from continuing operations (2016/17: €0.99). The calculation for the reporting period was based on a weighted number of 363,097,253 shares. Profit for the period attributable to the shareholders of METRO AG was distributed according to this number of shares. There was no dilution from so-called potential shares in financial year 2017/18 or in the previous year.

This result forms the basis for the dividend recommendation.

				Change	
		2016/17	**2017/18**	absolute	%
Profit or loss for the period from continuing operations	€ million	379	**458**	79	20.9
Profit or loss for the period from discontinued operations after taxes	€ million	−34	**−110**	76	–
Profit or loss for the period	€ million	345	**348**	3	0.9
Profit or loss for the period attributable to non-controlling interests	€ million	20	**4**	−16	−79.2
from continuing operations	€ million	(20)	**(4)**	−16	−79.0
from discontinued operations	€ million	(0)	**(0)**	0	−95.1
Profit or loss for the period attributable to the shareholders of METRO AG	€ million	325	**344**	19	5.9
from continuing operations	€ million	(359)	**(454)**	95	26.4
from discontinued operations	€ million	(−34)	**(−110)**	−76	–
Earnings per share (basic = diluted)[1]	€	0.89	**0.95**	0.05	5.9
from continuing operations	€	(0.99)	**(1.25)**	0.26	26.4
from discontinued operations	€	(−0.09)	**(−0.30)**	−0.21	–

[1] After non-controlling interests.

4 REPORT ON EVENTS AFTER THE CLOSING DATE AND OUTLOOK

REPORT ON EVENTS AFTER THE CLOSING DATE

Events after the closing date

No events subject to mandatory disclosure occurred between the closing date (30 September 2018) and the date of preparing the annual financial statements (22 November 2018).

OUTLOOK

The outlook prepared by METRO considers relevant facts and events that were known at the time of preparing the consolidated financial statements and that may have an impact upon the future development of our business. The outlook on economic parameters is based on an analysis of primary data used to derive forecasts. Feri Trust is the main source of the data used to forecast anticipated business conditions. The following conclusions reflect a mid-range scenario of expectations.

Macroeconomic parameters[1]

Global economy
After global economic growth in financial year 2017/18 remained at a similarly stable level as in the previous year, it is likely to be lower in the coming financial year. This development applies to all regions except Latin America. While in the United States of America (USA) the economy grew due to very low unemployment and economic policy reforms, rising inflation and interest rate hikes may dampen the upswing. Another negative impact may be the USA's protectionist trade policy or trade conflicts. The most important trade conflict currently exists between the USA and China. This is one of the main reasons why weaker growth momentum is expected for China. For Eastern and Western Europe, economic growth is forecast to decline, with inflation remaining stable in the West but rising in the East.
In addition to trade disputes with the USA, the United Kingdom's imminent exit from the EU is a major negative factor that will have a negative impact, especially for EU countries. For Russia, similar economic growth as in the previous year is expected along with an increase in inflation. All in all, we expect inflation-adjusted global economic growth of around 3.4% for 2019.

Germany
After the solid trend of the German economy in financial year 2017/18, lower growth of +1.6% is expected, which is still carried by domestic demand. The continued positive development on the German labour market as well as the effects of wage increases with constant inflation point to solid growth in private consumption. According to forecasts, Germany's export industries will develop less strongly in the coming year than in previous years.

Western Europe
While the economy in Western Europe recovered in the past financial year 2017/18, we expect slightly weaker growth in 2019. The slowdown in growth momentum will affect all countries in the region, even though, at 1.7%, growth is likely to turn out only slightly below the previous year's level. In Italy in particular, there are economic policy risks that could further affect growth. The most recent monetary policy decisions by the ECB appear to indicate a very slow return to higher interest rates, which continue to drive growth in the European economies at their relatively low current levels.

Russia
For Russia, economic growth is expected to be approximately 1.3% lower than in financial year 2017/18. This is also linked to a small increase in private consumption, which will be particularly affected by the increase in value added tax (VAT) at the beginning of 2019. Additionally, inflation is expected to rise to about 5.1% along with a persistently weak currency. Economic sanctions continue to be a burden on the economy.

Eastern Europe
After solid growth in financial year 2017/18, we expect economic growth in Eastern Europe to remain below the previous year's level. This trend can be seen in almost all countries in this region. The biggest exception is Turkey, which could experience the beginning of an economic recession with a negative growth rate of –1.6%. In Turkey, the inflation rate continues to rise above 20%. Unemployment is also likely to rise as a consequence of the recession.

[1] Source: Oxford Economics

Asia
We anticipate that the Asian economy will continue to grow solidly, albeit at a lower level than in the previous financial year 2017/18. The labour market and private consumption continue to develop positively, even as the inflation rate continues to rise. For China, economic growth is forecast to turn out considerably below the level of the previous year. There is still a risk that the trade conflict with the USA will continue to worsen. Since the USA is China's largest trading partner, this development would severely impact China as an export nation and affect economic growth. The Indian economy continues to grow strongly according to forecasts.

METRO Wholesale: Development in the self-service wholesale trade sector[2]

The global development of the self-service wholesale trade sector in financial year 2018/19 is anticipated to remain positive, contrary to the general economic trend. We expect that the contribution of the individual regions will once again vary. This also applies to the regions in which METRO operates. Growth is stronger in Asia than in Europe.

In comparison to the reporting period, we expect financial year 2018/19 to exhibit further declines in sales for companies operating in the wholesale industry sector in Germany. In contrast, there is still potential for additional growth in the food delivery segment. Further sales growth is forecast for the food service sector, which represents an important customer group for METRO Wholesale.

The self-service wholesale trade sector in Western Europe is likely to increase in nominal terms in the forecast year after only slight growth in financial year 2017/18, especially in METRO countries Austria and Portugal. The food service sector is also expected to develop positively, especially in Portugal and Spain.

In Russia, we expect slight growth in the self-service wholesale trade sector. We assume that the increase in value added tax (VAT) at the beginning of 2019 will have an overall negative impact on consumer spending. Even if food is exempted from the VAT increase, price competition for food is expected to continue to be intense as a consequence of higher non-food VAT.

In Central and Eastern European countries, the self-service wholesale trade sector is expected to grow more strongly in financial year 2018/19 than in the previous year, especially in countries such as Turkey, Romania and Ukraine. Despite the difficult economic environment, we believe that the HoReCa industry sector, supported by increasing tourism, will grow in Turkey. We expect the HoReCa and Traders sectors to continue their strong growth momentum, particularly in Romania and Poland.

The self-service wholesale trade markets in Asia, in particular in India, but also in China and Pakistan, are forecast to deliver stable, high-level economic development in financial year 2018/19. In addition to the store-based business, the delivery business continues to be a positive growth driver in this region.

Earnings outlook: Outlook for METRO

The outlook is based on the assumptions of stable exchange rates and no further adjustments to the portfolio and is given only for the continued operations of METRO. Our reporting also assumes a continuously complex geopolitical situation.

Sales
Despite the persistently challenging economic environment in particular in Russia, METRO expects to see an increase in overall sales in the range of 1–3% for financial year 2018/19, mainly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

METRO equally expects an increase in like-for-like sales in the range of 1–3% in financial year 2018/19, also mainly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

Earnings
EBITDA excluding earnings contributions from real estate transactions is expected to decrease by around 2–6 % compared to financial year 2017/18 (€ 1,242 million), particularly driven by an expected double-digit percentage decrease in the segment Others (2017/18: € –129 million) as well as by an expected mid- to high-single-digit percentage decrease in the segment Russia. For all other segments an EBITDA around previous year level is expected.

[2] Source: Euromonitor, Planet Retail

5 RISK AND OPPORTUNITY REPORT

Risk and opportunity management system

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

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

Centralised management and efficient organisation

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

It is the responsibility and a legal obligation of the Management Board of METRO AG to organise a governance system for METRO. We regard the risk management system, the internal control system, the compliance management system as well as internal auditing to be components of the governance, risk and compliance system (GRC system). This organisational structure is based on the governance elements identified in § 107 Section 3 of the German Stock Corporation Act (AktG) as well as the German Corporate Governance Code. The fundamental principles of the GRC system are defined and documented in our governance, risk and compliance guideline. This guideline is intended to render structures and processes more transparent and to harmonise the procedural-organisational framework for the subsystems. This is the foundation for our efforts to increase the overall efficiency of the GRC system and to continuously enhance its effectiveness.

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

Risk management

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

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

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

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

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

Opportunity management

The systematic identification and communication of opportunities is an integral part of the management and controlling system of METRO.

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

Reporting

Group reporting is the central element of our internal risk and opportunity communications. It is complemented by the risk and opportunity management system reporting. The objective is to allow for a structured and continuous monitoring of risks and opportunities which is documented in accordance with legal and regulatory stipulations.

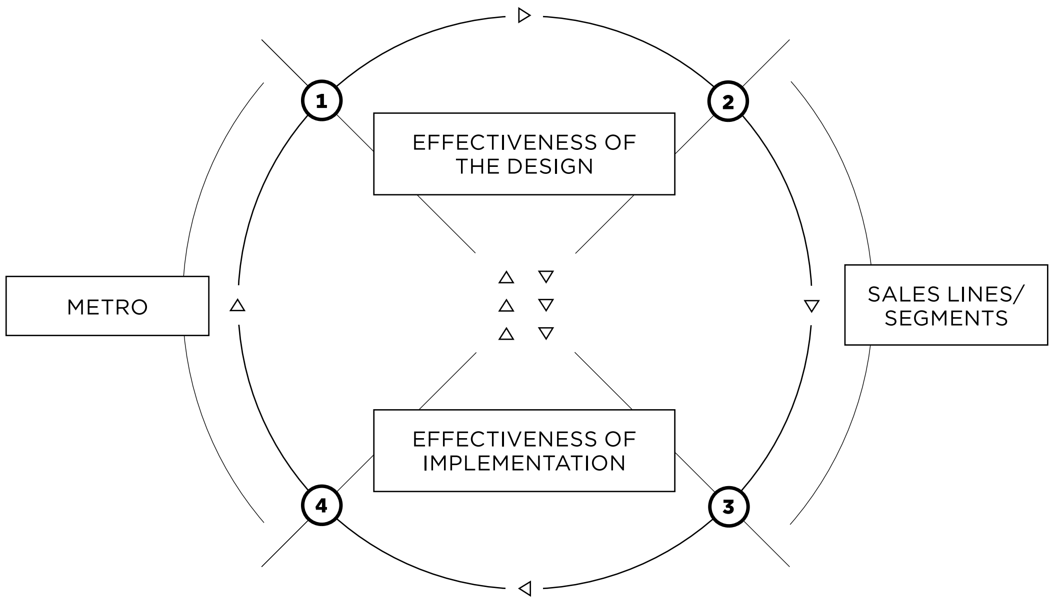
We ascertain our risk inventory on an annual basis by systematically mapping and assessing all significant group-wide risks based on quantitative and qualitative indicators and uniform criteria relating to the loss potential and the probability of occurrence. The results of the risk inventory and the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

In financial year 2017/18, the risk inventory was supported with by an IT solution. This led to a significant increase in efficiency and quality.

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

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

RISK MANAGEMENT AS A CLOSED-LOOP SYSTEM



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

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

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

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

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

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

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

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

Strict principles for dealing with risks

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

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

Risk management details clearly defined

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

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

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

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

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

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

On the third risk management level, clusters are delineated in terms of functional categories based on the group's organisational structures, such as procurement, sales, human resources or real estate. We generally assess risks over a prospective 1-year period; strategic risks cover at least the medium-term planning horizon (3 years). METRO monitors and assesses longer-term risks and opportunities, for example related to climate change, using its issues management system. The Corporate Public Policy department's Issues Management unit continuously monitors and identifies topics of special interest and media issues of relevance to the group. This enables us to address the public debate with swift, clear and uniform statements. The group's issues management and risk management systems are closely interconnected.

Risk classification

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

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

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

Risk units

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

Presentation of the risk situation

We have allocated the entire METRO risk portfolio to risk groups. In addition to general risks, the Management Board of METRO AG identified and assessed the particularly relevant risks (gross risks) METRO was exposed to during the reporting period. These are listed in the following overview:

Risk group		No.	Particularly relevant risks 2017/18	Loss potential	Probability of occurrence
		1	Macroeconomic and political risks	Major	Low
Risks related to the business environment		2	Interruption of business activities	Major	Low
	Risks related to the retail business	3	Challenges in the business model	Significant	Possible
Specific industry sector risks	Real estate risks	4	Inadequate construction processes	Moderate	Possible
Risks related to business performance	Supplier and product risks	5	Quality risks	Major	Low
Financial risks		6	Planning reliability	Major	Possible
	Transaction risks	7	Risks associated with the demerger and the sale of the hypermarket business	Major	Unlikely
	Human resources risks	8	Development of employee numbers and attractiveness as an employer	Moderate	Possible
		9	Trade regulations	Moderate	Possible
		10	More stringent regulation pertaining to deferred compensation	Moderate	Possible
Other risks	Legal and tax risks	11	Tax risks	Moderate	Possible

Due to the correlations between the two, we integrated the ‘deficient rental coverage’ risk reported in the previous year into risk no. 3 ‘challenges in the business model’. In order to increase transparency, we now present the risks no. 9 ‘trade regulations’ and no. 10 ‘more stringent regulation pertaining to deferred compensation’ separately. We also added the new risk no. 4 ‘inadequate construction processes’.

In mid-2018, Real created the prerequisites for a new collective bargaining partnership outside the HDE structures (association of German retailers) by terminating the future collective agreement concluded in 2016 with Verdi Real’s business was spun off from Real SB-Warenhaus GmbH to METRO SERVICES GmbH (which was renamed real GmbH) which applies collective agreements that were concluded between DHV – Die Berufsgewerkschaft e. V. (a trade union) and AHD – Unternehmensvereinigung für Arbeitsbedingungen im Handel und Dienstleistungsgewerbe e. V. (a registered association for the retail and service industry). This strengthens Real’s sustainability, as it offers a competitive salary structure for new employees. At the same time, this poses the risk of a significant short-term increase in personnel expenses. For example, this eliminates the temporary reduction of holiday pay and Christmas bonuses for Real employees, followed by an adjustment to match the regional collective agreements for the retail industry that would be different than in the case of a future collective agreement. In the medium and long term, however, this solution will lead to a competitive personnel cost structure at Real. This eliminates previous year’s risk ‘failed collective bargaining negotiations at Real’.

The aforementioned changes lead to new contents for risks no. 4 and no. 9 compared to the previous year. The following sections outline the risks bearing particular relevance and the essential risk control measures. In principle, all group segments are affected.

Risks related to the business environment

MACROECONOMIC AND POLITICAL RISKS (RISK 1)

As a company with global operations, METRO depends on the political and economic situations in the countries in which it operates. The fundamental business environment can change rapidly. Changes in political leadership, civil unrest, terrorist attacks or economic imbalances can jeopardise METRO’s business. At the country level, the political and/or economic situations in Russia, Ukraine, China, Italy, Spain and Turkey are particularly noteworthy for reporting period 2017/18. The potential risks include the loss of property and real estate assets, changes in the exchange rate, trade restrictions, capital controls, regulatory restrictions and unexpected weakening of demand. The global economy is increasingly marked by tense trade relations between the US, Europe and China, as can be clearly seen in the expansion of the imposed punitive tariffs, as well as the planned withdrawal of the United Kingdom from the European Union (Brexit). We see both issues as a risk. A continuous monitoring of the economic and political developments and a review of our strategic objectives allow us to respond to these challenges in a timely and appropriate manner. Our international presence comes with the advantage of being able to balance the economic, legal and political risks as well as fluctuations in demand between the countries.

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

INTERRUPTION OF BUSINESS ACTIVITIES (RISK 2)

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

Specific industry sector risks

RISKS RELATED TO THE RETAIL BUSINESS

CHALLENGES IN THE BUSINESS MODEL (RISK 3)

Particularly, the retail and wholesale trade in the markets in which we operate is characterised by rapid changes and fierce competition. A fundamental risk is consumers' fluctuating propensity to consume. Changes in consumer behaviour and customer expectations pose additional risks, among others, in the face of demographic change, rising competition and increasing digitalisation. If we fail to adequately address our customers' needs and price developments or if we miss trends with regard to our assortments or appropriate sales formats and new sales channels, this could potentially impede the development of our sales and income and also jeopardise our objectives in terms of growth and profitability. We address these risks by developing country-specific customer-focused value creation plans. The operating partners and international working groups (federations) monitor and support the implementation and achievement of objectives. We are, for example, expanding our range of regionally traded products in all sales lines and are progressively gearing our assortments to meet our customers' increasing demands with regard to environmental, social and health considerations. We are also expanding our sales channels by employing an omnichannel strategy to grow our delivery sales and online activities. We support our customers with franchise concepts. Furthermore, we are monitoring our competitors even more closely. Our various strategic projects aim at further optimising our purchasing and sales processes and at creating additional value for our customers. We aim at creating sustainable value, ensuring the recoverability of assets and thereby mastering the challenges faced by our business model.
As a wholesale and food specialist, we want to further increase our customer focus, accelerate our growth, simplify our structures and increase the implementation speed, thereby improving our overall operational performance. Decisions on new store locations are subject to an extensive assessment. As we continually monitor the profitability of our store network, we can identify adverse developments at individual stores at an early stage and respond quickly. In the event our measures fail to secure success and it appears to be unlikely that the situation will change in a sustainable way, we dispose of the respective outlet. This allows us to continually optimise our store network. Loss of rental income caused by insolvencies of third-party tenants and the risk of vacant and unused selling space entail the risk of a deficient rental cover or an impairment of the underlying asset. We counter these risks with our strategic and operational real estate management and anticipatory investment planning. Due to the substantive correlation, we integrated this risk which was separately reported in the previous year, into risk no. 3 'challenges in the business model'.

REAL ESTATE RISKS

INADEQUATE CONSTRUCTION PROCESSES
(RISK 4, NEW)
Inadequate or ineffective internal controls within our construction and installation processes could lead to infringements and quality losses as well as reputational damage. The safety and health of customers, suppliers and employees could be at risk. Generally, we strive to provide a safe and healthy environment. We take decisive actions to prevent potential accidents and health hazards. Thus, we establish clear rules and procedures to identify, minimise and ultimately prevent risks. We support implementation through frequent training sessions and internal inspections.

Risks related to business performance

SUPPLIER AND PRODUCT RISKS

QUALITY RISKS
(RISK 5)
As a wholesale and retail company, METRO depends on external producers and service providers. Defective or unsafe products, exploitation of the natural environment, inhumane working conditions or infringements against our compliance standards could potentially cause major damage to the reputation of METRO and pose a lasting threat to the company's success. We therefore continuously audit our own-brand suppliers to assess their adherence to METRO's stringent procurement and compliance standards. These include the food safety and quality standards recognised by the Global Food Safety Initiative (GFSI), such as the International Food Safety Standard and the GLOBALG.A.P. certification for agricultural products. The standards help to ensure the safety of foods on all cultivation, production and sales levels. Own-brand suppliers without a recognised and valid audit certificate may qualify for preliminary inclusion in METRO's supplier base by undergoing and passing a special assessment (METRO Assessment Solution) conducted by an accredited certification body. Violations of conditions can lead to exclusion from our supplier network or, in the case of unacceptable production methods, to a product being blacklisted. If suppliers do not provide a corresponding certificate, it jeopardises the due diligence of METRO towards the customer. The potential of placing non-safe products on the market which are unsuitable for human consumption or use or even health-hazardous represents a very high reputation risk and comprises the threat of lasting damage to customer relationships. Should a quality incident occur despite these measures, the process steps for resolving interruptions and incidents described in our manual will set out the procedure to resolve the incident in the interest of our customers. In order to avoid the risk of outdated or inadequate quality measures, we additionally and continuously look for possible improvements for our quality assurance systems.

We are not the only ones who have these concerns. Our customers place priority on quality and safety and are becoming increasingly interested in the environmental and social sustainability of the products sold in our stores and of the processes used to produce these products. If there are any reservations or even specific incidents concerning METRO's own-brand suppliers, METRO faces the risk of reputational damage. This in turn could have negative consequences on our rating in sustainability indices. In light of this, METRO adopted a group-wide purchasing policy for a sustainable supply chain and procurement management that applies to all products.

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

Financial risks

PLANNING RELIABILITY
(RISK 6)
Unexpected deviations from the budget or the forecast could potentially result in METRO missing its budget targets and making wrong business decisions. This could lead to unexpected negative financial consequences. We therefore place a high priority on measures designed to mitigate these risks. We do so by consistently implementing strategic measures that are directed at improving our income position. We support the operational units in their pro-active implementation of the strategy by providing them with value creation plans. We also mitigate risks by conducting effective internal controls, a closer interlocking of strategic planning with the budgeting process as well as a greater involvement of the supervisory bodies. The fact that our financial year differs from the calendar year allows us a high degree of planning certainty at an early stage, with the highly profitable Christmas quarter being the first quarter of our financial year. The outlook report offers insights into our expectations for the development of our business in the coming financial year.

— **For more information about financial risks and their management, see the notes to the consolidated financial statements in no. 44 – management of financial risks.**

Other risks

TRANSACTION RISKS

RISKS ASSOCIATED WITH THE DEMERGER AND THE SALE OF THE HYPERMARKET BUSINESS (RISK 7)

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

In its meeting on 13 September, the Management Board of METRO AG decided to sell the hypermarket business. In this context, delays in the negotiation, conclusion and implementation of the transaction can lead to risks such as the unanticipated commitment of managerial capacities or increases in planned transaction costs. Significant deviations from the planned sales revenue could have a negative impact on earnings. To limit risks, METRO uses professional support from investment banks and external consultants in the marketing process.

HUMAN RESOURCES RISKS

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

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

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

LEGAL AND TAX RISKS

TRADE REGULATIONS (RISK 9)

The European Union and national governments are increasingly adopting or amending regulations regulating trade and unfair trading practices that could affect our business. In the Corporate Public Policy department, we collect, discuss and analyse important social, regulatory and political issues and try to represent our interests at the political level through responsible lobbying. In order to increase transparency, we now represent this risk separately from risk no. 10 'more stringent regulation pertaining to deferred compensation'.

MORE STRINGENT REGULATION PERTAINING TO DEFERRED COMPENSATION (RISK 10)

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

We have observed tendencies to subject agreements on later income between buyers and suppliers to increased regulatory restrictions. This is mainly the case in the Eastern European countries, but has also been observed in other METRO countries, including in the European Union. Some of these restrictions go as far as prohibiting certain contractual terms. Antitrust law is at the same time utilised to counter a presumed relative market power by introducing regulation that interferes with terms in a way that entails unilateral impediments for retailers and wholesalers. At present, the European Union is working on a directive that will regulate unfair trading practices. This directive might have a far-reaching impact on existing business processes and condition systems worldwide, depending on its precise content. Said content will be the out-come of the legislative process and cannot be predicted sufficiently at present.

We continuously and systematically monitor the risks stemming from increasing regulation on later income. We address these tendencies to excessive regulation in a preventative approach by permanently adjusting our contractual relationships with suppliers in the concerned jurisdictions and/or in relation to certain product categories, with the goal to ensure that any later income arrangement complies with the applicable laws at all times. We also take care to appropriately provide for the respective limitation periods under civil law. We analyse the historical structures of supplier terms and conditions in the context of a transformation programme spanning over a number of years and modernise the terms as required. Without active management, there would be a risk that added value in the form of later income in selected product groups and/or countries could no longer or only partially be collected as a result of changes to the regulatory framework. This would have corresponding results on the total comprehensive income.

In order to increase transparency, we now present this risk separately from risk no. 9 ‘trade regulations’.

— **For more information about legal affairs, please see notes to the consolidated financial statements in no. 47 – remaining legal issues.**

TAX RISKS
(RISK 11)

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

Presentation of opportunities

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

Opportunities from the development of business and political conditions

An unexpected improvement of the economic and political framework conditions in one of the METRO countries or on a global scale as well as improvements in free trade could potentially improve sales, costs and income performance. METRO operates in a large number of markets where we could potentially benefit from this development. Opportunities could arise from a sustained positive geopolitical and macroeconomic development in Southern Europe, Turkey and the Russia/Ukraine region – for example, in the form of a recovery of foreign exchange rates.

Opportunities from increases in value

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

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

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

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

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

Furthermore, by using existing customer relationships, new business opportunities can be developed, for example new service offers in the hospitality sector. Similarly, joint ventures and the development of collaborations can provide access to new business opportunities.

Opportunities from efficiency improvements

For several years, METRO has increased its focus on its international wholesale business. It intends to intensify this strategy in the future. In consideration of this, the Management Board decided in its meeting on 13 September 2018 to sell the hypermarket business including the 80 real estate properties that are being used for it. Most of them are owned by Real. As described in risk 7, the transaction is expected to be carried out in financial year 2018/19. The sale of the hypermarket business could lead to accelerated increases in efficiency due to the intensified focus on wholesale.

In addition to the focus on wholesale and the development of new business areas, the expansion of joint ventures and cooperation projects could potentially result in reduced operational expenses. An unexpected positive development of our cost base (for example by reduced energy costs) could result in further cost savings. The continuous improvement of workflows could potentially have a positive effect on the development of our business along the entire value chain sooner than expected.

Management's overall assessment of the risk and opportunity situation

The Management Board and the Supervisory Board of METRO AG are regularly informed about the company's situation in terms of risks and opportunities. Our assessment of the company's current situation went beyond an evaluation of isolated risks and opportunities. We have also analysed interdependencies and assessed them in terms of their likelihood of occurrence and implications. Our assessment indicates that the overall risks can be borne or are at least manageable. The identified individual and cumulative risks do not present risks that could possibly compromise the continuity of the company due to illiquidity or excessive indebtedness within a period of at least one year.
We are confident that METRO's earnings performance offers a solid foundation for the sustainable positive development of our business and the utilisation of numerous opportunities. The Management Board of METRO AG does currently not expect any fundamental change in the situation concerning risks and opportunities.

6 REMUNERATION REPORT

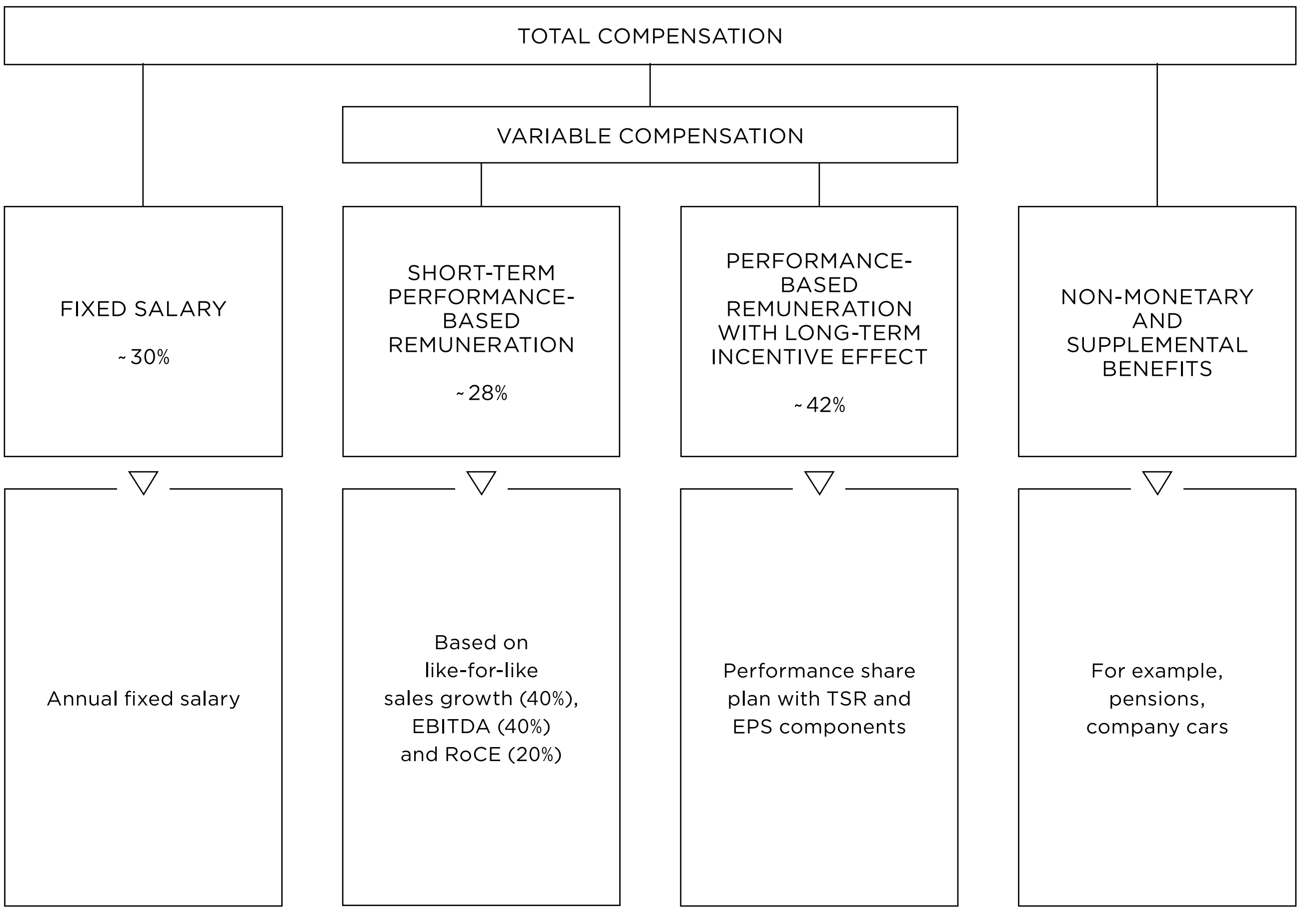
The remuneration report describes the remuneration system for the Management Board and the Supervisory Board in accordance with the statutory provisions of the German Commercial Code and the recommendations of the German Corporate Governance Code and establishes the remuneration amount of the members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

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

The remuneration system for members of the Management Board

The agreed remuneration of the members of the Management Board is composed of
- a fixed salary,
- a short-term performance-based remuneration,
- a performance-based remuneration with long-term incentive effect,
- a post-employment benefits plan as well as
- other non-monetary and supplemental benefits.

REMUNERATION SYSTEM FOR MEMBERS OF THE MANAGEMENT BOARD



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

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

According to the recommendation of the German Corporate Governance Code, the remuneration for each member of the Management Board is limited in individual amounts; in each case with regard to the individual remuneration components and also in total (total disbursement cap). The upper threshold of remuneration for financial year 2017/18 amounts to €8,034,800 for Mr Koch, €4,048,600 for Mr Baier and €6,043,600 for Mr Hutmacher. For Mr Palazzi, who was appointed as a member of the Management Board with effect from 7 May 2018, the maximum amount of the remuneration granted for financial year 2017/18 amounts to €4,228,600; for Mr Boone, whose employment contract ended with effect from the end of 31 May 2018, it amounted to €6,043,600.

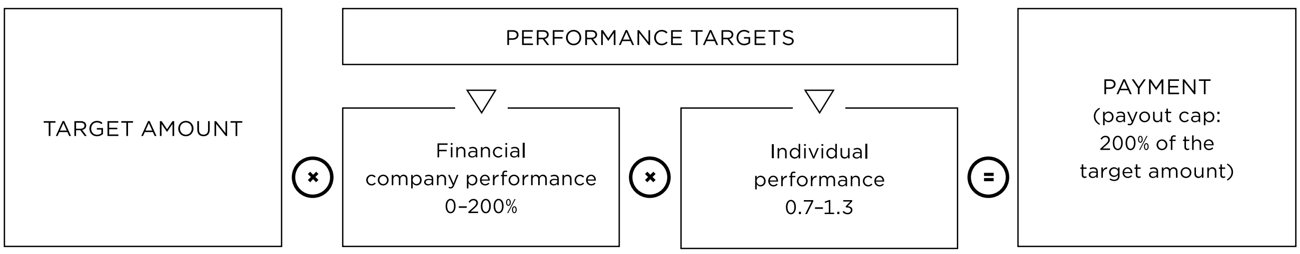
Insofar as a member of the Management Board negligently or intentionally violates his or her duties and the company incurs damage as a result of it, the Supervisory Board has the right to withhold payment of the remuneration of this member of the Management Board in full or in part. A so-called clawback clause (repayment agreement), which in the event of a negative development provides for the recovery of payments made in the past from variable remuneration components, was not agreed with the members of the Management Board, since payments from the short-term performance-based remuneration and the performance-based remuneration with a long-term incentive effect only take place after fulfilment of the performance targets and termination of the performance period. Without prejudice to this, a reduction of future payments to be paid in the event of a deterioration of the company’ssituation according to § 87 Section 2 of the German Stock Corporation Act (AktG) remains.

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

Short-term performance-based remuneration (short-term incentive, STI)
The short-term incentive remunerates the company’s operating performance on the basis of financial performance targets pertaining to that specific financial year.

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

SHORT-TERM INCENTIVE



Schematic diagram.

The short-term incentive for financial year 2017/18 is based on the following parameters of the group:
- like-for-like sales development (sales growth in local currency on a comparable area or with respect to a comparable group of locations or merchandising concepts such as delivery and online business) at 40%,
- exchange rate-adjusted earnings before interest expenses, taxes, depreciation and amortisation (EBITDA) at 40%,
- exchange rate-adjusted return on capital employed (RoCE) at 20%,

in each case based on the target amount.

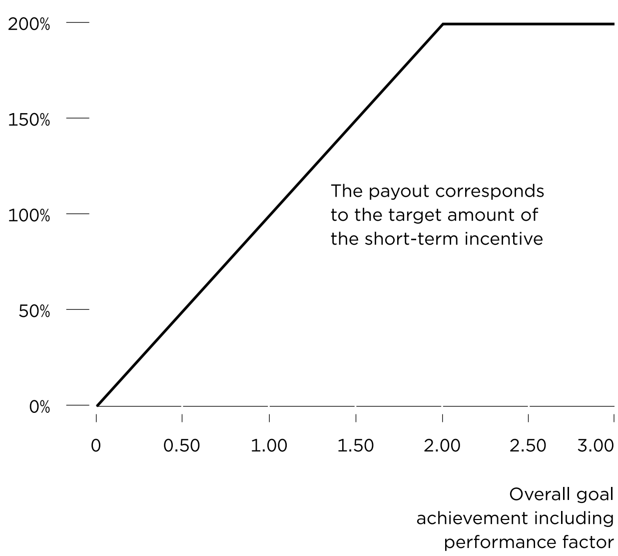
In general, performance targets are set by the Supervisory Board for each of the 3 parameters before the beginning of the financial year. The basis for determining the targets is the budget plan, which requires the approval of the Supervisory Board. To determine whether a target has been achieved, the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

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

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

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

SHORT-TERM INCENTIVE – DISBURSEMENT CALCULATION



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

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

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

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

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

PERFORMANCE SHARE PLAN
(SINCE FINANCIAL YEAR 2016/17)

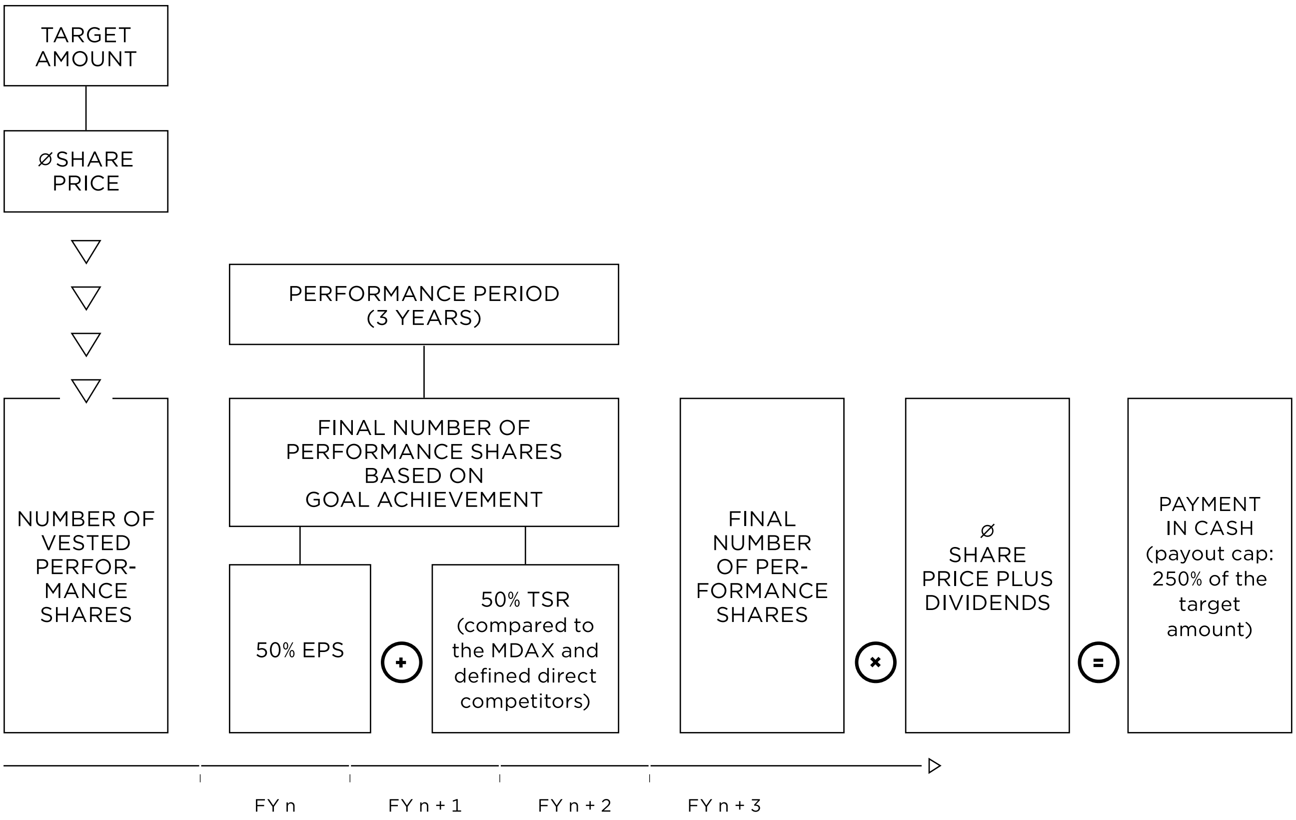
The annual tranches of the so-called performance share plan and their associated performance targets generally have a multi-year assessment basis. The performance period is in general 3 years. The payout amount is limited to a maximum of 250% of the individually determined target value (payout cap).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

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

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

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

LONG-TERM INCENTIVE

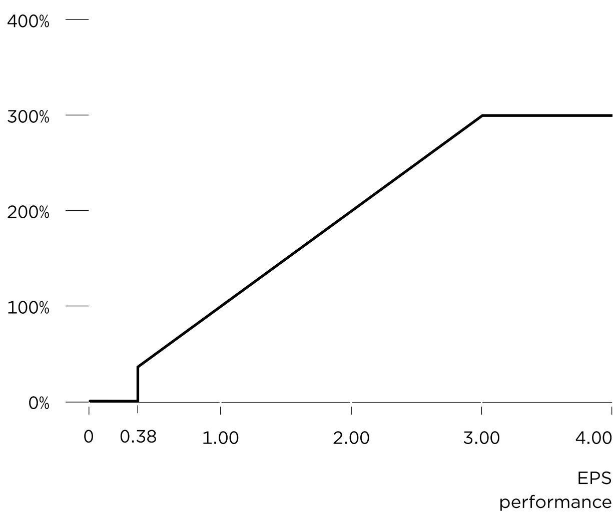


Schematic diagram.

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

- If the degree of target achievement at the end of the performance period is 100%, the factor is 1.0.
- If the degree of target achievement is lower or equal to the entrance hurdle, then the factor is 0.0. For the tranche granted in financial year 2017/18, the entrance hurdle amounts to 38% of the target achievement.
- In the case of intermediate values and values over 100% up to a maximum of 300%, the factor for target achievement is calculated using linear interpolation and/or extrapolation.

DETERMINING THE GOAL ACHIEVEMENT OF THE EPS COMPONENT



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

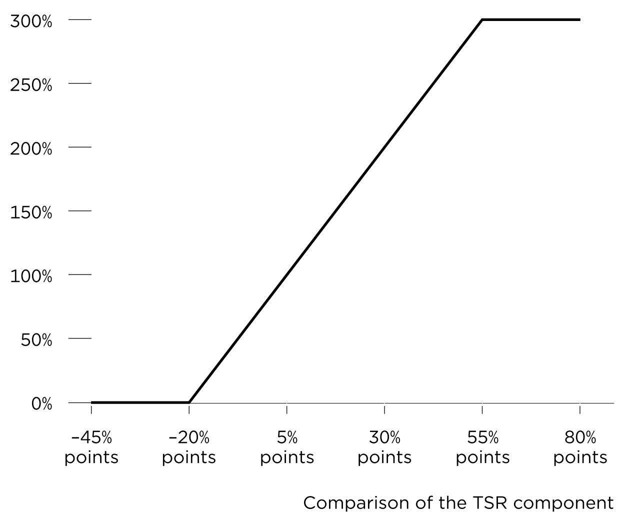
For the TSR component, the Supervisory Board also usually establishes a lower threshold/entrance hurdle and a TSR target value for the 100% target achievement at the beginning of the financial year in which the tranche of the performance share plan is granted.

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

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

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

DETERMINING THE GOAL ACHIEVEMENT OF THE TSR COMPONENT



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

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

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

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

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

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

SHARE OWNERSHIP GUIDELINES

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

Transfer of long-term incentives in connection with the demerger

Irrespective of the performance share plan, the members of the Management Board were granted 2 long-term incentive tranches in financial year 2016/17. Of the 2014/15 and 2015/16 tranches of the sustainable performance plan version 2014, which were granted by the former METRO AG (now: CECONOMY AG) prior to the demerger, the remaining target amounts for the period from the day after the demerger took effect on 13 July 2017 until the end of the performance period were transferred to today's METRO AG. The target achievement of the former 2014/15 tranche was linked to the parameter return on capital employed (RoCE) before special items related to financial year 2016/17 and the target achievement of the former 2015/16 tranche in the earnings per share (EPS) parameter for financial year 2017/18. In order to determine the target achievement, the Supervisory Board set thresholds for both tranches: a lower threshold/entrance hurdle and a target value for target achievement of 100%. The target achievement of the respective tranche is used to determine the factor which, multiplied by the individual target amount, results in a cash payment in euros at the end of the performance period of the tranche:

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

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

The performance period of the tranche linked to the RoCE performance target ended after the 40th stock exchange trading day after the Annual General Meeting of the company in 2018. The performance period of the tranche linked to the EPS performance target has been reduced from the original 4-year term to 3 years and ends after the 40th stock exchange trading day after the Annual General Meeting of the company in 2019.

Post-employment benefits plans

As members of the Management Board, Mr Koch, Mr Baier and Mr Hutmacher receive post-employment benefits plans in the form of employer's commitments. This form of commitment also existed for Mr Boone until 31 May 2018. The financing is provided jointly by the Management Board and the company. This is based on an apportionment of '7 + 14'. When a member of the Management Board makes a contribution of 7% of his or her defined basis for assessment, the company will contribute twice the amount. The assessment is based on the amount of the fixed salary and the target amount of the short-term incentive. When a member of the Management Board leaves the company before the benefit case occures, the contributions retain the level they have reached. This component of post-employment benefits plans is congruently reinsured by Hamburger Pensionsrückdeckungskasse VVaG (HPR). The interest rate for the contributions is paid in accordance with the Articles of Association of the HPR with regard to profit participation, with a guarantee applying to the paid-in contribution.

Entitlement to pension plans exists

- if employment ends with or after reaching the statutory retirement age in the German statutory pension insurance,

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

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

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

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

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

Further benefits in case of an end to employment

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

In the event of a change of control, the members of the Management Board may exercise their right to resign from their office for good cause, within 6 months after the change of control as to the end of each month by giving 3 months prior notice. They may also terminate their employment contract with effect to this date (extraordinary termination right).

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

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

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

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

Other non-monetary and supplemental benefits

The supplemental benefits granted to members of the Management Board include non-cash benefits from benefits in kind, such as company cars.

Remuneration of the Management Board in financial year 2017/18

The remuneration of the members of the Management Board in financial year 2017/18 pursuant to the German Commercial Code as well as in accordance with the tables provided by the German Corporate Governance Code is as follows:

REMUNERATION OF THE MANAGEMENT BOARD IN FINANCIAL YEAR 2017/18[1]

					Performance-based remuneration with long-term incentive effect			
€1,000	Financial year	Fixed salary	Supplemental benefits	Short-term performance-based remuneration	Value of granted tranches[6]	(Payment from tranches granted in the past)	Total[7]	(Effective salary[8])
Olaf Koch[2]	2016/17	261	4	323	1,303	(0)	1,891	(588)
	2017/18	**1,200**	**20**	**177**	**1,214**	**(884)**	**2,611**	**(2,281)**
Christian Baier[3]	2016/17	406	7	334	660	(0)	1,407	(747)
	2017/18	**700**	**18**	**88**	**585**	**(91)**	**1,391**	**(897)**
Pieter C. Boone[4]	2016/17	196	4	220	782	(0)	1,202	(420)
	2017/18	**600**	**12**	**0**	**–**	**(91)**	**612**	**(703)**
Heiko Hutmacher[2]	2016/17	196	4	220	977	(0)	1,397	(420)
	2017/18	**900**	**17**	**134**	**910**	**(663)**	**1,961**	**(1,714)**
Philippe Palazzi[5]	2016/17	–	–	–	–	–	–	–
	2017/18	**280**	**126**	**34**	**–**	**–**	**440**	**(440)**
Total	**2016/17**	**1,059**	**19**	**1,097**	**3,722**	**(0)**	**5,897**	**(2,175)**
	2017/18	**3,680**	**193**	**433**	**2,709**	**(1,729)**	**7,015**	**(6,035)**

[1] Disclosures pursuant to § 285 sentence 1 No. 9 a and § 314 section 1 No. 6 a of the German Commercial Code (HGB) (excluding provisions for post-employment benefits plans).
[2] Employment contract with the company since 13 July 2017.
[3] Employment contract with the company since 2 March 2017.
[4] Employment contract with the company from 13 July 2017 to 31 May 2018. The short-term performance-based remuneration for the period from 1 October 2017 to 31 May 2018 was settled with the severance payment.
[5] Employment contract with the company since 7 May 2018. The annual earmarked one-off payment for setting up a pension plan does not constitute a pension expenditure as per IAS 19 and is therefore recognised as a supplemental benefit.
[6] Shown here is the fair value at the time of granting the tranche of the performance share plan.
[7] Total of the columns fixed salary, supplemental benefits, short-term performance-based remuneration and value of granted tranches of the long-term incentive.
[8] Total of the columns fixed salary, supplemental benefits, short-term performance-based remuneration and payment from tranches of the long-term incentive granted in the past.

BENEFITS GRANTED

	Olaf Koch[1]				Christian Baier[2]			
	Chairman of the Management Board Member of the Management Board since 2/3/2017				Chief Financial Officer Member of the Management Board since 11/11/2016			
	2016/17	**2017/18**	**2017/18**	**2017/18**	2016/17	**2017/18**	**2017/18**	**2017/18**
€1,000			**Minimum value**	**Maximum value**			**Minimum value**	**Maximum value**
Fixed salary	261	**1,200**	**1,200**	**1,200**	406	**700**	**700**	**700**
Supplemental benefits	4	**20**	**20**	**70**	7	**18**	**18**	**70**
Total	**265**	**1,220**	**1,220**	**1,270**	**413**	**718**	**718**	**770**
1-year variable remuneration	244	**1,120**	**0**	**2,240**	314	**540**	**0**	**1,080**
Multi-year variable remuneration								
Transferred LTI with performance target RoCE (allocation 13/7/2017, end of performance period after the 40th trading day following the Annual General Meeting 2018)	413	**–**	**–**	**–**	43	**–**	**–**	**–**
Transferred LTI with performance target EPS (allocation 13/7/2017, end of performance period after the 40th trading day following the Annual General Meeting 2019)	1,108	**–**	**–**	**–**	381	**–**	**–**	**–**
Performance share plan – tranche 2016/17[5] (allocation 7/9/2017, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche)	1,303	**–**	**–**	**–**	660	**–**	**–**	**–**
Performance share plan – tranche 2017/18[5] (allocation 18/4/2018, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche)	–	**1,214**	**0**	**4,200**	–	**585**	**0**	**2,025**
Total	**3,333**	**3,554**	**1,220**	**7,710**	**1,811**	**1,843**	**718**	**3,875**
Pension expenditure	71	**325**	**325**	**325**	101	**174**	**174**	**174**
Total remuneration	**3,404**	**3,879**	**1,545**	**8,035**	**1,912**	**2,017**	**892**	**4,049**

[1] Employment contract with the company since 13 July 2017.
[2] Employment contract with the company since 2 March 2017.
[3] Employment contract with the company from 13 July 2017 to 31 May 2018.
[4] Employment contract with the company since 7 May 2018. The annual earmarked one-off payment for setting up a pension plan is not recognised as pension expense pursuant to IAS 19 and is therefore reported as a supplemental benefit.
[5] Shown here is the fair value at the time of granting the tranche.

Pieter C. Boone[3]				Heiko Hutmacher[1]				Philippe Palazzi[4]			
Chief Operating Officer Member of the Management Board since 2/3/2017 Exit: 31/5/2018				Chief Human Resources Officer and Labour Director Member of the Management Board since 2/3/2017				Chief Operating Officer Member of the Management Board since 7/5/2018			
2016/17	**2017/18**	**2017/18**	**2017/18**	2016/17	**2017/18**	**2017/18**	**2017/18**	2016/17	**2017/18**	**2017/18**	**2017/18**
		Minimum value	**Maximum value**			**Minimum value**	**Maximum value**			**Minimum value**	**Maximum value**
196	**600**	**600**	**600**	196	**900**	**900**	**900**	–	**280**	**280**	**280**
4	**12**	**12**	**47**	4	**17**	**17**	**70**	–	**126**	**126**	**170**
200	**612**	**612**	**647**	**200**	**917**	**917**	**970**	**–**	**406**	**406**	**450**
183	**560**	**0**	**1,120**	183	**840**	**0**	**1,680**	–	**216**	**0**	**432**
43	**–**	**–**	**–**	310	**–**	**–**	**–**	–	**–**	**–**	**–**
665	**–**	**–**	**–**	831	**–**	**–**	**–**	–	**–**	**–**	**–**
782	**–**	**–**	**–**	977	**–**	**–**	**–**	–	**–**	**–**	**–**
–	**–**	**–**	**–**	–	**910**	**0**	**3,150**	–	**–**	**–**	**–**
1,873	**1,172**	**612**	**1,767**	**2,501**	**2,667**	**917**	**5,800**	**–**	**622**	**406**	**882**
55	**165**	**165**	**165**	53	**244**	**244**	**244**	–	**–**	**–**	**–**
1,928	**1,337**	**777**	**1,932**	**2,554**	**2,911**	**1,161**	**6,044**	**–**	**622**	**406**	**882**

ACCRUALS

	Olaf Koch[1]		Christian Baier[2]		Pieter C. Boone[3]		Heiko Hutmacher[1]		Philippe Palazzi[4]	
	Chairman of the Management Board Member of the Management Board since 2/3/2017		Chief Financial Officer Member of the Management Board since 11/11/2016		Chief Operating Officer Member of the Management Board since 2/3/2017 Exit: 31/5/2018		Chief Human Resources Officer and Labour Director Member of the Management Board since 2/3/2017		Chief Operating Officer Member of the Management Board since 7/5/2018	
€1,000	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
Fixed remuneration	**1,200**	261	**700**	406	**600**	196	**900**	196	**280**	–
Supplemental benefits	**20**	4	**18**	7	**12**	4	**17**	4	**126**	–
Total	**1,220**	**265**	**718**	**413**	**612**	**200**	**917**	**200**	**406**	**–**
1-year variable remuneration	**177**	323	**88**	334	**0**	220	**134**	220	**34**	–
Multi-year variable remuneration	**884**	0	**91**	0	**91**	0	**663**	0	**0**	–
Other	**0**	0	**0**	0	**0**	0	**0**	0	**0**	–
Total	**2,281**	**588**	**897**	**747**	**703**	**420**	**1,714**	**420**	**440**	**–**
Pension expenditure	**325**	71	**174**	101	**165**	55	**244**	53	**–**	–
Total remuneration	**2,606**	**659**	**1,071**	**848**	**868**	**475**	**1,958**	**473**	**440**	**–**

[1] Employment contract with the company since 13 July 2017.
[2] Employment contract with the company since 2 March 2017.
[3] Employment contract with the company from 13 July 2017 to 31 May 2018. The short-term performance-based remuneration for the period from 1 October 2017 to 31 May 2018 was settled with the severance payment.
[4] Employment contract with the company since 7 May 2018. The annual earmarked one-off payment for setting up a pension plan does not constitute a pension expenditure as per IAS 19 and is therefore recognised as a supplemental benefit.

Long-term incentive (performance share plan) in financial year 2017/18

For the tranche of the performance share plan granted in financial year 2017/18, the target amount for Mr Koch is €1.68 million, for Mr Baier €0.81 million and for Mr Hutmacher €1.26 million. Mr Boone and Mr Palazzi were not allocated a tranche of the performance share plan during the reporting period.

The number of (initially vested) allocated performance shares amounts to 111,259 for Mr Koch, 53,643 for Mr Baier and 83,444 for Mr Hutmacher.

The value of the tranche distributed in financial year 2017/18 as part of the performance share plan was calculated at the time of granting by external experts using recognised financial-mathematical methods.

PERFORMANCE SHARE PLAN

Tranche	End of the performance period	Starting price for the TSR component	Target amount Management Board as of 30/9/2018
2016/17	after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche	€17.14	€3,610,000
2017/18	after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche	**€15.10**	**€3,750,000**

In addition to the tranche from the performance share plan issued, in the reporting period the members of the Management Board active in financial year 2017/18 have access to tranches of the long-term incentive that were granted in the past: Mr Koch, Mr Baier and Mr Hutmacher have access to the 2016/17 tranche of the performance share plan and the transferred LTI tranche, which is linked to the EPS performance target. Mr Palazzi has a commitment to the METRO Cash & Carry LTI from the time he worked for METRO prior to his appointment as a member of the Management Board. Mr Boone no longer has any claims from tranches of the long-term incentive granted to him in the past.

The performance period of the transferred LTI tranche, which was linked to the RoCE performance target, ended 40 stock exchange trading days after the Annual General Meeting 2018. Based on the determined target achievement, the following amounts were paid out for this tranche: Mr Koch €0.884 million, Mr Baier €0.091 million, Mr Boone €0.091 million and Mr Hutmacher €0.663 million.

In financial year 2017/18, value adjustments resulted from the current share-based tranches of performance-based remuneration programmes with a long-term incentive effect. The company's expenses amounted to €0.12 million for Mr Koch, €0.06 million for Mr Baier, €0.03 million for Mr Boone, €0.09 million for Mr Hutmacher, and €0.45 million for Mr Palazzi.

As of 30 September 2018, the provisions for the members of the Management Board totalled €1.79 million.

Services after the end of employment in financial year 2017/18 (including provisions for post-employment benefits plans)

In financial year 2017/18, a total of €0.91 million according to International Financial Reporting Standards (IFRS) and €0.80 million according to the German Commercial Code (HGB) was used for the remuneration of the active members of the Management Board of METRO AG for benefits to be provided after the end of their employment (2016/17: €0.28 million determined according to IFRS and €0.29 million determined according to the German Commercial Code (HGB)). Of this total, according to IFRS, approximately €0.33 million accounted for pension plans for Mr Koch, approximately €0.17 million for Mr Baier, approximately €0.17 million for Mr Boone and approximately €0.24 million for Mr Hutmacher.

For post-employment benefits plans according to the German Commercial Code (HGB), approximately €0.32 million was allocated to Mr Koch, approximately €0.17 million to Mr Baier, approximately €0.07 million to Mr Boone and approximately €0.24 million to Mr Hutmacher.

Provisions according to IFRS and the German Commercial Code (HGB) amount to approximately €0.003 million each for Mr Koch and Mr Baier. There is no need to establish provisions for Mr Hutmacher.

The cash value of the commitment volume according to IFRS and German Commercial Code (HGB) amounts to approximately €3.5 million for Mr Koch, approximately €0.8 million for Mr Baier, approximately €1.6 million for Mr Boone and approximately €2.6 million for Mr Hutmacher. With the exception of the provisions listed in the last paragraph, the cash value of the commitment volume is offset by assets. There is no commitment volume for Mr Palazzi.

Termination benefits in financial year 2017/18

An agreement was reached with Mr Boone in the reporting year for the premature termination of his employment contract with effect as to the end of 31 May 2018. A severance payment in the amount of €4,693,288 was agreed to settle the remaining term of his employment contract (1 June 2018 to 30 September 2020) as well as the short-term incentive for the period from 1 October 2017 to 31 May 2018 and the tranches already granted from long-term incentives. This settlement covers Mr Boone's claims, taking into account the contractually agreed severance payment cap in accordance with the German Corporate Governance Code and the development of performance-based remuneration components based on extrapolation. In addition, Mr Boone received a compensation for non-competition of €1.5 million for a post-contractual restraint on competition, which was agreed for the period from the termination of the employment contract until 30 November 2018.

Remuneration of members of the Supervisory Board

The members of the Supervisory Board receive a fixed yearly remuneration amount in accordance with § 13 of METRO AG's Articles of Association. In financial year 2017/18, this amounted to €80,000 per ordinary member. The value added tax payable to the respective remuneration is reimbursed to the members of the Supervisory Board in accordance with § 13 Section 5 of METRO AG's Articles of Association.

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

Remuneration factors

Chairman of the Supervisory Board	●●●
Vice Chairman	●●
Committee chairpersons[1]	●●
Committee members[1]	●◖
Members of the Supervisory Board	●

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

The relevant individual amounts for financial year 2017/18 are as follows:

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2017/18 PURSUANT TO § 13 OF THE ARTICLES OF ASSOCIATION[1]

€	Financial year	Multiplier	Fixed salary
Jürgen B. Steinemann, Chairman	2016/17	●●●	60,000
	2017/18	●●●	**240,000**
Werner Klockhaus, Vice Chairman	2016/17	●●	40,000
	2017/18	●●	**160,000**
Stefanie Blaser (since 16/2/2018)	2016/17		–
	2017/18	●	**53,333**
Herbert Bolliger (since 16/2/2018)	2016/17		–
	2017/18	●	**53,333**
Gwyn Burr	2016/17	●	20,000
	2017/18	●◖	**120,000**
Thomas Dommel	2016/17	●	20,000
	2017/18	● / ●◖	**106,666**
Prof. Dr Edgar Ernst	2016/17	●●	100,000
	2017/18	●●	**160,000**
Dr Florian Funck	2016/17	●◖	30,000
	2017/18	●◖	**120,000**
Michael Heider	2016/17	●	53,333
	2017/18	●	**80,000**
Andreas Herwarth (until 16/2/2018)	2016/17	●◖	30,000
	2017/18	●◖	**50,000**
Peter Küpfer	2016/17	●	20,000
	2017/18	●	**80,000**
Susanne Meister	2016/17	●	20,000
	2017/18	●	**80,000**
Dr Angela Pilkmann	2016/17	●	20,000
	2017/18	●	**80,000**
Mattheus P. M. (Theo) de Raad (until 16/2/2018)	2016/17	●	20,000
	2017/18	●	**33,333**
Dr Fredy Raas	2016/17	●◖	30,000
	2017/18	●◖	**120,000**
Xaver Schiller	2016/17	●◖	30,000
	2017/18	●◖	**120,000**
Eva-Lotta Sjöstedt	2016/17	●	53,333
	2017/18	●	**80,000**
Dr Liliana Solomon	2016/17	●◖	76,667
	2017/18	●◖	**120,000**
Alexandra Soto	2016/17	●	53,333
	2017/18	●	**80,000**
Angelika Will	2016/17	●	20,000
	2017/18	●	**80,000**
Manfred Wirsch	2016/17	●	53,333
	2017/18	●	**80,000**
Silke Zimmer	2016/17	●	53,333
	2017/18	●	**80,000**
Total[2]	2016/17		803,332
	2017/18		**2,176,665**

[1] Plus applicable value added tax in accordance with § 13 Section 5 of the Articles of Association.
[2] Reported figures for financial year 2016/17 relate to active members of the Supervisory Board in financial year 2017/18. Taking into consideration the demerger of the former METRO GROUP, the 20 members of the Supervisory Board of the company were assembled over in the course of financial year 2016/17, some were also members of the Supervisory Board of the former METRO AG (now: CECONOMY AG). The remuneration for financial year 2016/17 was paid pro rata temporis. This means that, as far as members of the Supervisory Board of the former METRO GROUP were members of both the former METRO AG and this company before the demerger took effect, these members of the Supervisory Board did not receive remuneration from the company until the demerger took effect in July 2017.

In financial year 2017/18, individual members of the Supervisory Board of METRO AG also received remunerationfrom group companies for Supervisory Board mandates at group companies.

OTHER INTRA-GROUP REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2017/18[1]

€	Financial year	
Werner Klockhaus	2016/17	9,300
	2017/18	**6,200**
Thomas Dommel	2016/17	4,500
	2017/18	**5,250**
Michael Heider	2016/17	6,000
	2017/18	**6,000**
Xaver Schiller	2016/17	9,000
	2017/18	**9,000**
Manfred Wirsch	2016/17	6,000
	2017/18	**6,000**
Total[2]	2016/17	34,800
	2017/18	**32,450**

[1] Plus potentially applicable value added tax.
[2] Reported figures for 2016/17 relate to active members of the Supervisory Board in financial year 2017/18.

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

7 TAKEOVER-RELATED DISCLOSURES

The takeover-related disclosures as of 30 September 2018 required under §§ 289a Section 1 and 315a Section 1 of the German Commercial Code (HGB) are shown below:

Composition of the subscribed capital

On 30 September 2018, the share capital of METRO AG totalled €363,097,253. It is divided into a total of 360,121,736 ordinary no-par-value bearer shares (pro rata value of the share capital: €360,121,736, approximately 99.18%) as well as 2,975,517 preference no-par-value bearer shares (pro rata value of the share capital: €2,975,517, approximately 0.82%). Each share in the company has a notional interest of €1.00 in the share capital.

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

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

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

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

(4) The holders of non-voting preference shares and those holding ordinary shares will equally share in any additional profit distribution in the proportion corresponding to the number of shares held by them in the share capital.'

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

Voting rights and transfer-related restrictions

To the best knowledge of the Management Board, the following agreements exist or existed during financial year 2017/18, which may be construed as restrictions in the sense of § 315a Section 1 No. 2 and § 289a Section 1 No. 2 of the German Commercial Code.

A pooling agreement exists between Beisheim Capital GmbH, Düsseldorf, Germany, and Beisheim Holding GmbH, Baar, Switzerland, which includes the METRO AG shares held by Beisheim Capital GmbH and Beisheim Holding GmbH.

In connection with the demerger of the former METRO AG, CECONOMY AG (formerly operating under the name of 'METRO AG') as well as each of its 3 major shareholders (the Haniel shareholder group, the Meridian shareholder group and the Beisheim shareholder group) have entered into temporary lock-up agreements at normal market conditions with CECONOMY AG with regard to their shares and the shares in the acquiring entity (METRO AG, formerly known as 'METRO Wholesale & Food Specialist AG'), which the major shareholders of CECONOMY AG have received in the context of the demerger, and have agreed on further selling restrictions. These obligations expired in the course of financial year 2017/18 and currently no longer exist. The only exception is the lock-up agreement of CECONOMY AG set out in the Group Separation Agreement dated 13 December 2016, according to which CECONOMY AG is obligated not to sell its approximately 1% of the shares in METRO AG, which were granted as part of the demerger within the spin-off from the group, until 1 October 2023.

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

Shares held in capital

As of 30 September 2018, the following direct and indirect capital interests existed and entitled their respective holders to more than 10% of the voting rights:

Name/company	Direct/indirect capital interest entitling to more than 10% of voting rights
Haniel Finance Deutschland GmbH, Duisburg, Germany	Direct
Franz Haniel & Cie. GmbH, Duisburg, Germany	Indirect
Palatin Verwaltungsgesellschaft mbH, Essen, Germany	Direct
BVG Beteiligungs- und Vermögensverwaltungs-GmbH, Essen, Germany	Indirect
Gebr. Schmidt GmbH & Co. KG, Essen, Germany	Indirect
Gebr. Schmidt Verwaltungsgesellschaft mbH, Essen, Germany	Indirect
Meridian Stiftung, Essen, Germany	Indirect

On 24 August 2018, Daniel Křetínský and Patrik Tkáč used the acquisition company EP Global Commerce GmbH (‘EPGC’), based in Munich, to acquire from Haniel Finance Deutschland GmbH (HFD), a 100% subsidiary of Franz Haniel & Cie. GmbH, the right to transfer 7.3% and a call option of an additional 15.2% of the voting rights (‘call option’). On 4 October 2018, 7.3% of the ordinary shares of METRO AG were transferred to EPGC. To the best knowledge of the Management Board, the call option was not exercised during the period in which these consolidated financial statements were prepared, meaning that Franz Haniel & Cie. GmbH continues to hold 15.2% of the ordinary shares of METRO AG via HFD.

On 20 September 2018, Daniel Křetínský and Patrik Tkáč also used the acquisition company EP Global Commerce II GmbH (‘EPGC II’), based in Munich, to acquire from CECONOMY AG the right to transfer 3.61% and a call option of an additional 5.39% of the voting rights. EPGC II is also the writer of a put option on the part of CECONOMY AG concerning the voting rights in METRO AG that are covered by the call option. On 27 September 2018, 3.61% of the ordinary shares of METRO AG were transferred from CECONOMY AG to EPGC II. To the best knowledge of the Management Board, neither the call option nor the put option was exercised during the period in which these consolidated financial statements were prepared, meaning that CECONOMY AG continues to hold 6.39% of the ordinary shares of METRO AG. Daniel Křetínský and Patrik Tkáč therefore indirectly hold 10.91% of the voting rights in METRO AG at the time these consolidated financial statements were prepared and also hold financial instruments for the transfer of another 20.59% of the voting rights.

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

— **Voting rights notifications published by METRO AG can be found on the website www.metroag.de/en in the section media – legal announcements.**

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

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

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

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

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

Authority of the Management Board to issue or buy back shares

Authorities to issue new shares

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

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

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

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

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

Authorities to issue warrant bonds and/or convertible bearer bonds

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

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

Shareholders will be granted their statutory subscription rights by way of the bonds being acquired by a bank or syndicate of banks with an undertaking to offer such bonds to the shareholders. If bonds are issued by a METRO AG subsidiary within the meaning of § 18 of the German Stock Corporation Act in which METRO AG holds a direct or indirect interest of at least 90%, METRO AG must ensure that statutory subscription rights are granted to the shareholders of METRO AG in accordance with the preceding sentence.

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

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

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

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

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

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

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

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

Authorisationties to repurchase own shares

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

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

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

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

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

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

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

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

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

Fundamental agreements related to the conditions of a change of control

METRO AG is currently a borrower under 2 syndicated loan agreements, which the lender may cancel in the case of a change of control, provided that, additionally and as a result of the change of control, the credit rating of METRO AG deteriorates to a certain degree as defined in the respective agreements. By the definition included in the syndicated loan agreements, 'change of control' refers to the loss and acquisition of control as per § 29 of the German Securities Acquisition and Takeover Act (WpÜG). The requirements of such a change of control are, first, that the shareholders who controlled METRO AG at the time at which each contract was signed lose control over METRO AG. The second condition is the assumption of control over METRO AG by one or a number of parties. The lending banks may only cancel the contract and demand the return of the loans if the change of control and a resulting drop in the credit rating occur cumulatively. The arrangements described are common market practice and serve the purpose of protecting creditors. None of these loans were drawn in financial year 2017/18.

Compensation agreements in the event of a takeover bid

The company has entered into compensation agreements with the members of the Management Board to make provision in the event of a takeover bid. In the event of a change of control, the members of the Management Board may exercise their right to resign from their office, within 6 months after the change of control, for good cause at the end of each month by giving 3 months' prior notice. They may also terminate their management contract with effect on the same date (extraordinary termination right).

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

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

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

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

Overview of financial year 2017/18 and outlook of METRO AG

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

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

Business development of METRO AG

The business development of METRO AG is primarily characterised by the development and dividend distributions of its investments. The METRO AG Annual Financial Statements prepared under German commercial law serve as the basis for dividend distribution. The income statement and balance sheet of METRO AG prepared in accordance with the regulations stipulated by the German Commercial Code (HGB) are outlined below.

Earnings position of METRO AG and profit appropriation

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2017 TO 30 SEPTEMBER 2018 IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE

€ million	2016/17	**2017/18**
Sales revenues	427	**434**
Other operating income	288	**315**
Cost of services purchased	–47	**–53**
Personnel expenses	–147	**–126**
Depreciation/amortisation/ impairment losses on intangible and tangible assets	–49	**–55**
Other operating expenses	–532	**–427**
Investment result	254	**202**
Net financial result	–44	**–51**
Income taxes	–18	**–6**
Earnings after taxes	**132**	**233**
Other taxes	–2	**3**
Net profit or loss	**130**	**236**
Retained earnings from the previous year	–	**47**
Income from capital reduction	172	**–**
Balance sheet profit	**302**	**283**

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

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

Services are billed at arm's-length prices. Under the transfer pricing model, the national and international companies of the METRO Wholesale sales line were billed approximately €575 million in licensing and service fees in financial year 2017/18.

€434 million of settlement amounts received by METRO AG were recognised as sales in the reporting period. These are broken down into €274 million concerning settlement amounts received in the form of license fees for the METRO and MAKRO brands, as well as €160 million relating to IT and business services rendered to the wholesale subsidiaries.

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

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

On average during the 4 quarters of financial year 2017/18, METRO AG employed 879 people. Part-time employees and temporary workers were converted into full-time equivalents. Due to the lower number of employees and lower performance-based remuneration components, the personnel expenses were lower than in the previous year.

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

Other operating expenses consist of expenses incurred by METRO AG in exercising its function as a management holding and relate to costs for services subcontracted to companies both within as well as outside of the group.

For financial year 2017/18, METRO AG posted an investment income of €202 million. Profit and loss transfer agreements with other group companies accounted for earnings in the amount of €420 million. This includes the release of reserves received from an indirectly held subsidiary. Losses were absorbed in the amount of €–383 million. These losses predominantly result from impairments recognised for indirectly held subsidiaries. The income from investments without profit and loss transfer agreements amounted to €165 million in financial year 2017/18 and was predominantly attributable to the group's real estate companies and the foreign wholesale subsidiaries.

The net financial result amounted to €–51 million.

The net profit for the year comes in at €236 million. Including retained earnings from the previous year in the amount of €47 million, the company's balance sheet profit amounted to €283 million.

Regarding the appropriation of the balance sheet profit for 2017/18, the Management Board of METRO AG will propose to the Annual General Meeting to distribute from the reported balance sheet profit of €283 million a dividend in the amount of €0.70 per ordinary share and €0.70 per preference share – that is, a total of €254 million – and to carry forward the remaining amount to the new account.

Financial position of METRO AG

Cash flows

As of the closing date, cash on hand amounted to €335 million. This item mainly includes bank deposits through cash pool income from the sales lines towards the end of the reporting period.

Capital structure

EQUITY AND LIABILITIES

€ million	30/9/2017	**30/9/2018**
Equity		
Share capital	363	**363**
Capital reserve	6,118	**6,118**
Balance sheet profit	302	**283**
	6,783	**6,764**
Provisions	**401**	**371**
Liabilities		
Bonds	2,505	**2,898**
Liabilities to banks	70	**259**
Liabilities to affiliated companies	7,900	**7,007**
Miscellaneous liabilities	72	**71**
	10,547	**10,235**
Deferred income	**6**	**19**
	17,737	**17,389**

Liabilities consist of equity in the amount of €6,764 million and provisions, liabilities and deferred income in the amount of €10,625 million. The equity ratio on the closing date was 38.9%. Provisions as of the closing date totalled €371 million. Liabilities consist of €2,898 million in bonds and €259 million in liabilities to banks. The balance sheet also reports liabilities to affiliated companies in the amount of €7,007 million. In addition to short-term financial investments made by METRO companies, these predominantly concerned liabilities from structuring measures under corporate law.

Asset position of METRO AG

ASSETS

€ million	30/9/2017	**30/9/2018**
Non-current assets		
Intangible assets	1,018	**1,001**
Tangible assets	2	**2**
Financial assets	15,270	**9,157**
	16,290	**10,160**
Current assets		
Receivables and other assets	1,129	**6,882**
Cash on hand, bank deposits and cheques	305	**335**
	1,434	**7,217**
Prepaid expenses	**13**	**12**
	17,737	**17,389**

As of the closing date, METRO had total assets of €17,389 million which are predominantly comprised of financial assets in the amount of €9,157 million, receivables from affiliated companies at €6,861 million and the usufructuary rights to the METRO and MAKRO brands which were recognised as an intangible asset (€923 million). Cash on hand, bank deposits and cheques amounted to €335 million. The financial assets predominantly consist of shares held in affiliated companies in the amount of €9,113 million which are essentially comprised of shares in the holding for wholesale companies (€6,348 million), in real estate companies (€1,020 million), in service providers (€803 million) and in other companies (€942 million). The financial assets account for 52.7% of the total assets. Receivables from affiliated companies amount to €6,861 million. This corresponds to 39.5% of the total assets. This position contains €6,117 million in receivables from a group-internal transfer of shares in affiliated companies at their carrying values and predominantly reflects the short-term financing requirements of the group companies as of the closing date.

Risk situation of METRO AG

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

Forecast of METRO AG

The business development of METRO AG as the management holding company essentially depends on the development and dividend distributions of its investments. Assuming a cost structure at the holding company level without additional expenses, we expect that in financial year 2018/19, the company's net profit will return to a level comparable with financial year 2017/18 (€236 million).

Planned investments of METRO AG

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

Declaration on corporate management

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

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CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT
FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2017 TO 30 SEPTEMBER 2018

€ million	Note no.	2016/17[1]	**2017/18**
Sales revenues	1	**29,903**	**29,476**
Cost of sales		–24,713	**–24,482**
Gross profit on sales		**5,189**	**4,994**
Other operating income	2	1,336	**1,259**
Selling expenses	3	–4,399	**–4,280**
General administrative expenses	4	–937	**–868**
Other operating expenses	5	–370	**–295**
Earnings share of operating companies recognised at equity	6	14	**14**
Earnings before interest and taxes EBIT		**833**	**823**
Earnings share of non-operating companies recognised at equity	6	0	**0**
Other investment result	7	1	**0**
Interest income	8	43	**34**
Interest expenses	8	–171	**–163**
Other financial result	9	–32	**–2**
Net financial result		**–159**	**–130**
Earnings before taxes EBT		**674**	**693**
Income taxes	11	–295	**–235**
Profit or loss for the period from continuing operations		**379**	**458**
Profit or loss for the period from discontinued operations after taxes	12	–34	**–110**
Profit or loss for the period		**345**	**348**
Profit or loss for the period attributable to non-controlling interests	13	20	**4**
from continuing operations		(20)	**(4)**
from discontinued operations		(0)	**(0)**
Profit or loss for the period attributable to the shareholders of METRO AG		325	**344**
from continuing operations		(359)	**(454)**
from discontinued operations		(–34)	**(–110)**
Earnings per share in € (basic = diluted)	14	**0.89**	**0.95**
from continuing operations		(0.99)	**(1.25)**
from discontinued operations		(–0.09)	**(–0.30)**

[1] Adjustment of previous year due to discontinued operations.

RECONCILIATION FROM PROFIT OR LOSS FOR THE PERIOD TO TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2017 TO 30 SEPTEMBER 2018

€ million	Note no.	2016/17	**2017/18**
Profit or loss for the period	12, 13, 14	**345**	**348**
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	32	**55**	**11**
Remeasurement of defined benefit pension plans		77	**17**
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss		−21	**−6**
Items of other comprehensive income that may be reclassified subsequently to profit or loss	32	**−41**	**−175**
Currency translation differences from translating the financial statements of foreign operations		−39	**−190**
Effective portion of gains/losses from cash flow hedges		−3	**2**
Gains/losses from the revaluation of financial instruments in the category 'available for sale'		0	**9**
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss		2	**4**
Other comprehensive income	32	**15**	**−164**
Total comprehensive income	32	**359**	**184**
Total comprehensive income attributable to non-controlling interests	32	17	**4**
Total comprehensive income attributable to the shareholders of METRO AG	32	343	**181**

BALANCE SHEET AS OF 30 SEPTEMBER 2018

Assets

€ million	Note no.	30/9/2017	30/9/2018
Non-current assets		**9,225**	**7,540**
Goodwill	19	875	**797**
Other intangible assets	20	473	**499**
Property, plant and equipment	21	6,822	**5,314**
Investment properties	22	126	**97**
Financial assets	23	92	**88**
Investments accounted for using the equity method	23	183	**178**
Other financial assets	24	43	**39**
Other non-financial assets	24	174	**163**
Deferred tax assets	25	439	**365**
Current assets		**6,554**	**7,703**
Inventories	26	3,046	**2,108**
Trade receivables	27	575	**571**
Financial assets		1	**1**
Other financial assets	24	832	**561**
Other non-financial assets	24	382	**353**
Entitlements to income tax refunds		148	**206**
Cash and cash equivalents	30	1,559	**1,298**
Assets held for sale	31	11	**2,605**
		15,779	**15,242**

Equity and liabilities

€ million	Note no.	30/9/2017	**30/9/2018**
Equity	32	**3,207**	**3,130**
Share capital		363	**363**
Capital reserve		6,118	**6,118**
Reserves retained from earnings		–3,320	**–3,392**
Non-controlling interests		46	**41**
Non-current liabilities		**4,197**	**3,406**
Provisions for post-employment benefits plans and similar obligations	33	557	**468**
Other provisions	34	283	**126**
Financial liabilities	35, 37	3,095	**2,590**
Other financial liabilities	35, 38	67	**56**
Other non-financial liabilities	35, 38	95	**67**
Deferred tax liabilities	25	100	**100**
Current liabilities		**8,376**	**8,705**
Trade liabilities	35, 36	4,782	**3,993**
Provisions	34	456	**274**
Financial liabilities	35, 37	1,611	**1,420**
Other financial liabilities	35, 38	947	**744**
Other non-financial liabilities	35, 38	398	**392**
Income tax liabilities	35	167	**191**
Liabilities related to assets held for sale	31	15	**1,691**
		15,779	**15,242**

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2017 TO 30 SEPTEMBER 2018

€ million	Note no.	Net assets attributable to the former METRO GROUP	Share capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Gains/losses from the revaluation of financial instruments in the category 'available for sale'	Currency translation differences from translating the financial statements of foreign operations
30/9/2016 | 1/10/2016	32	**3,791**[2]	**0**	**0**	**1**[2]	**0**	**–513**
Impact of the transition from combined to consolidated financial statement	32	–3,791[2]	363	6,118	0	0	0
	32	**0**	**363**	**6,118**	**1**	**0**	**–513**
Earnings after taxes			0	0	0	0	0
Other comprehensive income			0	0	–3	0	–36
Total comprehensive income			**0**	**0**	**–3**	**0**	**–36**
Capital increases			0	0	0	0	0
Dividends			0	0	0	0	0
Capital transactions with a change in the participation rate			0	0	0	0	0
Other changes			0	0	0	0	0
30/9/2017 | 1/10/2017	32		**363**	**6,118**	**–2**	**0**	**–549**
Earnings after taxes			0	0	0	0	0
Other comprehensive income			0	0	2	9	–189
Total comprehensive income			**0**	**0**	**2**	**9**	**–189**
Capital increases			0	0	0	0	0
Dividends			0	0	0	0	0
Capital transactions with a change in the participation rate			0	0	0	0	0
Other changes			0	0	0	0	0
30/9/2018	32		**363**	**6,118**	**0**	**9**	**–738**

[1] Previous year: other components of equity.
[2] Reclassification of total equity before non-controlling interests/of reserves retained from earnings.
[3] The reported dividend includes dividends to non-controlling shareholders in the amount of €12 million whose interests are shown fully as debt capital due to put options.

Remeasuring of defined benefit pension plans	Income tax on components of other comprehensive income	Other reserves retained from earnings	Total reserves retained from earnings[1]	Total equity before non-controlling interests	Non-controlling interests	**Total equity**
−503	**112[2]**	**0**	**−904[2]**	**2,888**	**36**	**2,924**
0	0	−2,743[2]	−2,743[2]	−53	0	**−53**
−503	**112**	**−2,743**	**−3,647**	**2,834**	**36**	**2,870**
0	0	325	325	325	20	**345**
76	−20	0	18	18	−3	**15**
76	**−20**	**325**	**343**	**343**	**17**	**359**
0	0	0	0	0	0	**0**
0	0	−12[3]	−12	−12	−20	**−33**
0	0	0	0	0	0	**0**
0	0	−4	−4	−4	13	**10**
−427	**92**	**−2,434**	**−3,320**	**3,162**	**46**	**3,207**
0	0	344	344	344	4	**348**
17	−2	0	−163	−163	−1	**−164**
17	**−2**	**344**	**181**	**181**	**4**	**184**
0	0	0	0	0	1	**1**
0	0	−254	−254	−254	−9	**−263**
0	0	1	1	1	−1	**0**
0	0	0	0	0	1	**1**
−410	**91**	**−2,344**	**−3,392**	**3,089**	**41**	**3,130**

CASH FLOW STATEMENT[1]
FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2017 TO 30 SEPTEMBER 2018

€ million	Note no[2]	2016/17[3]	**2017/18**
EBIT		833	**823**
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	15	609	**547**
Change in provisions for post-employment benefits and other provisions	33, 34	−158	**−201**
Change in net working capital	26, 27, 36	−34	**179**
Income taxes paid	11	−216	**−266**
Reclassification of gains (−) / losses (+) from the disposal of fixed assets		−138	**−139**
Other		−45	**−69**
Cash flow from operating activities of continuing operations		**851**	**874**
Cash flow from operating activities of discontinued operations	42	176	**31**
Cash flow from operating activities		**1,027**	**905**
Acquisition of subsidiaries		−181	**0**
Investments in property, plant and equipment and in investment property (excluding finance leases)	21, 22	−452	**−454**
Other investments		−141	**−168**
Investments in monetary assets		−480	**0**
Disposals of subsidiaries		−54	**33**
Disposal of fixed assets	20, 21, 22, 23	130	**154**
Gains (+) / losses (−) from the disposal of fixed assets		138	**139**
Disposal of financial investments		583	**0**
Cash flow from investing activities of continuing operations		**−457**	**−296**
Cash flow from investing activities of discontinued operations	42	−144	**−85**
Cash flow from investing activities		**−601**	**−381**
Dividends paid	32		
to METRO AG shareholders		−12[4]	**−254**
to other shareholders		−20	**−9**
Redemption of liabilities from put options of non-controlling interests		−20	**0**
Proceeds from new borrowings		2,121	**2,772**
Redemption of borrowings		−2,098	**−2,984**
Interest paid		−164	**−141**
Interest received		40	**28**
Profit and loss transfers and other financing activities		−1	**7**
Transactions with the former METRO GROUP		−221	**0**
Cash flow from financing activities of continuing operations		**−375**	**−581**
Cash flow from financing activities of discontinued operations	42	−63	**−79**
Cash flow from financing activities		**−438**	**−660**
Total cash flows		**−12**	**−136**
Currency effects on cash and cash equivalents		−25	**−30**
Total change in cash and cash equivalents		**−37**	**−166**
Cash and cash equivalents as of 1 October		1,599	**1,562**
Less cash and cash equivalents reported in assets in accordance with IFRS 5		0	**3**
Cash and cash equivalents as of 1 October		**1,599**	**1,559**
Cash and cash equivalents as of 30 September		1,562	**1,395**
Less cash and cash equivalents reported in assets in accordance with IFRS 5	31	3	**97**
Cash and cash equivalents as of 30 September	30	**1,559**	**1,298**

[1] The cash flow statement is explained in the notes to the consolidated financial statements in no. 42 – notes to the cash flow statement.
[2] Deviations from the balance sheet values result from adjusted translation effects and changes in the consolidation group.
[3] Adjustment of previous year due to discontinued operations.
[4] The reported dividend includes dividends to non-controlling interest holders in the amount of €–12 million whose interests are shown fully as debt capital due to put options.

NOTES

SEGMENT REPORTING[1]

	METRO Wholesale Germany		METRO Wholesale Western Europe (excl. Germany)		METRO Wholesale Russia		METRO Wholesale Eastern Europe (excl. Russia)		METRO Wholesale Asia	
€ million	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**
External sales (net)	4,745	**4,750**	10,432	**10,609**	3,363	**2,815**	6,886	**6,952**	4,360	**4,298**
Internal sales (net)	12	**23**	2	**2**	49	**36**	1	**0**	0	**0**
Sales (net)	4,757	**4,773**	10,434	**10,611**	3,411	**2,850**	6,887	**6,952**	4,360	**4,298**
EBITDAR	117	**119**	584	**648**	358	**276**	385	**391**	321	**217**
EBITDA excluding earnings contributions from real estate transactions	88	**91**	466	**491**	345	**266**	367	**363**	162	**162**
Earnings contributions from real estate transactions	−1	**0**	6	**39**	0	**0**	0	**12**	110	**8**
EBITDA	87	**91**	472	**530**	345	**266**	367	**375**	272	**170**
Depreciation/ amortisation/ impairment losses	75	**76**	174	**143**	55	**52**	110	**97**	81	**66**
Reversals of impairment losses	0	**0**	3	**1**	0	**0**	0	**0**	0	**0**
EBIT	13	**15**	302	**388**	290	**214**	257	**278**	191	**105**
Investments	40	**65**	310	**127**	72	**83**	55	**69**	70	**63**
Non-current segment assets	891	**875**	1,962	**1,892**	1,038	**958**	1,514	**1,424**	1,005	**971**

[1] Segment reporting is explained in the notes to the consolidated financial statements in no. 43 – segment reporting.
[2] Primarily includes discontinued operations.
[3] Includes both continuing and discontinued operations.

Real[2]		Others[3]		Consolidation		METRO Continuing and discontinued operations		Discontinued operations incl. IFRS 5 assessment		METRO Continuing operations	
2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**
7,247	**7,077**	108	**34**	0	**0**	37,140	**36,534**	7,237	**7,058**	29,903	**29,476**
9	**9**	550	**631**	−623	**−700**	0	**0**	0	**0**	0	**0**
7,256	**7,086**	658	**665**	−623	**−700**	37,140	**36,534**	7,237	**7,058**	29,903	**29,476**
327	**316**	−127	**−97**	2	**2**	1,968	**1,871**	324	**303**	1,644	**1,568**
154	**143**	−152	**−116**	6	**−4**	1,436	**1,396**	168	**154**	1,267	**1,242**
6	**12**	60	**58**	−6	**0**	175	**129**	0	**1**	175	**128**
159	**155**	−92	**−58**	0	**−4**	1,611	**1,525**	168	**155**	1,443	**1,370**
140	**232**	129	**126**	−2	**−1**	762	**791**	149	**240**	613	**551**
0	**0**	0	**4**	0	**0**	3	**6**	0	**2**	3	**4**
19	**−76**	−221	**−180**	2	**−3**	852	**740**	19	**−83**	833	**823**
131	**209**	149	**196**	0	**−2**	827	**811**	137	**211**	690	**600**
1,202	**1,172**	942	**935**	−42	**−31**	8,512	**8,196**	1,330	**1,289**	7,182	**6,908**

RECONCILIATION TO PRESENTATION IN THE MANAGEMENT REPORT

	Reportable METRO Wholesale segments		METRO Wholesale Others/consolidation		METRO Wholesale	
€ million	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**
External sales (net)	29,785	**29,423**	81	**27**	29,866	**29,451**
Internal sales (net)	64	**60**	–51	**–40**	13	**20**
Sales (net)	29,849	**29,484**	30	**–13**	29,879	**29,471**
EBITDA excluding earnings contributions from real estate transactions	1,428	**1,373**	–16	**–52**	1,413	**1,321**
Earnings contributions from real estate transactions	115	**59**	0	**0**	115	**59**
EBITDA	1,544	**1,432**	–16	**–52**	1,528	**1,380**
Depreciation	495	**434**	1	**1**	496	**435**
Reversals of impairment losses	3	**1**	0	**0**	3	**1**
EBIT	1,052	**999**	–17	**–53**	1,035	**947**
Investments	547	**407**	1	**0**	547	**408**
Non-current segment assets	6,410	**6,120**	–12	**–9**	6,398	**6,111**

NOTES TO THE GROUP ACCOUNTING PRINCIPLES AND METHODS

Accounting principles

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

These consolidated financial statements of METRO AG as of 30 September 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS).

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

The regulations of the German Commercial Code in the version of the CSR Directive Implementation Act of 11 April 2017 are being applied to the consolidated financial statements and the combined management report of METRO AG and the group for the first time in financial year 2017/18.

The date on which the Management Board of METRO AG signed the consolidated financial statements (22 November 2018) also represents the date on which the Management Board released the consolidated financial statements for publication and submitted them to the Supervisory Board.

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

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

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

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

Application of new accounting methods

Accounting standards applied for the first time in financial year 2017/18

The following standards revised or amended by the International Accounting Standards Board (IASB) that were binding for METRO AG in financial year 2017/18 were applied for the first time in these consolidated financial statements, unless the company had opted for voluntary early adoption:

IAS 7 (STATEMENT OF CASH FLOWS)

As per the amendments to IAS 7 in the context of the Disclosure Initiative, the notes to the consolidated financial statements provide disclosures on changes in liabilities arising from financing activities. In particular, the following changes are listed: financing cash flows, corresponding effects resulting from the acquisition or loss of control of subsidiaries or other business units, impact of currency exchange rates and fair value measurements. Financial liabilities include events that are classified as cash flows before financing activities in the cash flow statement.

ADDITIONAL IFRS AMENDMENTS

Other accounting rules to be applied for the first time in financial year 2017/18 without material effects on METRO are:

- IAS 12 – Income Taxes
  (recognition of deferred tax assets for unrealised losses with regard to certain debt instruments)
- Annual improvements to IFRS 2014–2016
- (Clarification of the application area of IFRS 12 – Disclosure of Interests in Other Entities)

Accounting standards that were published but not yet applied in financial year 2017/18

A number of other standards and interpretations revised or newly adopted by the IASB were not yet applied by METRO AG in financial year 2017/18 because they were either not yet mandatory or have not yet been endorsed by the European Commission.

Standard/ Interpretation	Title	Effective date according to IFRS[1]	Application at METRO AG from[2]	Endorsed by EU[3]
Amendments to IFRS 1	Amendments as a result of the annual improvements cycle 2014–2016 (deletion of temporary exemptions)	1/1/2018	1/10/2018	Yes
Amendments to IFRS 2	Share-based payment (classification and measurement of share-based payment transactions)	1/1/2018	1/10/2018	Yes
Amendments to IFRS 3	Business combinations	1/1/2020	1/10/2020	No
Amendments to IFRS 3 / IFRS 11	Amendments as a result of the annual improvements cycle 2015–2017 (clarifications of successive business combinations)	1/1/2019	1/10/2019	No
Amendments to IFRS 4	Insurance contracts (applying IFRS 9 financial instruments with IFRS 4 insurance contracts)	1/1/2018	1/10/2018	Yes
IFRS 9	Financial instruments	1/1/2018	1/10/2018	Yes
Amendments to IFRS 9	Financial instruments (addition of regulations on early-repayment provisions with negative compensatory payments)	1/1/2019	1/10/2019	Yes
Amendments to IFRS 10 / IAS 28	Consolidated financial statements/Investments in associates and joint ventures (amendment: sales or contribution of assets between an investor and its associate or joint venture)	Unknown[4]	Unknown[4]	No
IFRS 15	Revenue from contracts with customers	1/1/2018	1/10/2018	Yes
Amendments to IFRS 15	Revenue from contracts with customers (various clarifications)	1/1/2018	1/10/2018	Yes
IFRS 16	Leases	1/1/2019	1/10/2019	Yes
IFRS 17	Insurance contracts	1/1/2021	1/10/2021	No
Amendments to IAS 1 / IAS 8	Changes to the definition of 'significant'	1/1/2020	1/10/2020	No
Amendments to IAS 12	Amendments as a result of the annual improvements cycle 2015–2017 (income aax consequences of payments on instruments classified as equity)	1/1/2019	1/10/2019	No
Amendments to IAS 19	Employee benefits (clarifications on plan changes, settlement expenses and curtailments)	1/1/2019	1/10/2019	No
Amendments to IAS 23	Amendments as a result of the annual improvements cycle 2015–2017 (determination of the borrowing cost rate for funds not specifically borrowed for a qualified asset)	1/1/2019	1/10/2019	No
Amendments to IAS 28	Amendments as a result of the annual improvements cycle 2014–2016 (clarification on the right to vote in specific cases at fair value)	1/1/2018	1/10/2018	Yes
Amendments to IAS 28	Investments in associates and joint ventures (non-current investments in associates and joint ventures)	1/1/2019	1/10/2019	No
Amendments to IAS 40	Investment properties (clarification: transfer in and out of the investment property portfolio)	1/1/2018	1/10/2018	Yes
IFRIC 22	Foreign currency transactions and advance considerations	1/1/2018	1/10/2018	Yes
IFRIC 23	Uncertainty over income tax treatment	1/1/2019	1/10/2019	Yes
Changes to the framework concept	Accounting framework (adjustment of the cross references to the framework contained in the IFRS)	1/1/2020	1/10/2020	No

[1] Without earlier application.
[2] Application as of 1 October due to deviation of financial year from calendar year; prerequisite: EU endorsement has been effected.
[3] As of: 22 November 2018 (the date on which the Management Board of METRO AG signed the consolidated financial statements).
[4] Indefinite deferral of effective date by IASB.

IFRS 9 (FINANCIAL INSTRUMENTS)

The new IFRS 9 adopted in its final version on 24 July 2014 (Financial Instruments) will replace IAS 39 (Financial Instruments: Recognition and Measurement), covering the classification and measurement of financial instruments. As part of a project dealing with the introduction of IFRS 9 at METRO, the following qualitative and quantitative effects of the new standard were analysed and evaluated.

The majority of debt instruments held by METRO, lendings, loans, trade receivables and other financial assets (with the exception of equity instruments) will satisfy the criteria for their recognition at amortised costs pursuant to IFRS 9. Selected financial assets, such as certain loans and derivative financial instruments not designated as part of a hedging transaction, must under the new standard be measured at fair value through profit or loss. Due to the resulting changes to the current accounting in accordance with IAS 39, an increase in equity in a low single-digit million amount is expected to occur outside of profit or loss at the conversion date.

METRO will in the future recognise credit losses expected for trade receivables over the entire term of these financial instruments. METRO will elect to apply the simplified procedure available under the standard and ascertain the expected losses on the basis of impairment tables. The outstanding receivables are continuously monitored by the individual METRO companies.

In accordance with the new accounting and measurement methods, METRO will apply the general impairment requirements stipulated in IFRS 9 to all other financial assets. The credit risk is in these cases evaluated on the basis of the customer's credit quality – which METRO assesses using external ratings, previous experience with the respective customer and credit risk rating grades. METRO minimises the risk by exclusively investing in first-class debt capital instruments from issuers with a good to very good rating (investment grade). For these kinds of assets, the creditworthiness of the issuers is also monitored continuously. This allows METRO to identify any probable significant increase in the credit risk and to swiftly respond to any potential changes. METRO uses borrower-specific information to monitor loans advanced and other financial assets. In light of the conversion from a model based on actually incurred losses to a model focusing on expected losses, METRO expects a reduction of equity in a mid-single-digit million amount to occur outside of profit or loss at the conversion date. The introduction of the impairment models could in subsequent years lead to a higher fluctuation in the income statement, since the level of risk provisions also depends on economic conditions.

According to the new accounting and measurement methods pursuant to IFRS 9, METRO will classify the majority of equity instruments held by it as measured at fair value through other comprehensive income with effect on 1 October 2018. This will result in comparatively lower earnings volatility, because METRO had previously classified most of these equity instruments as available for sale and thus recognised the unrealised gains and losses in the other comprehensive income until they had to be recognised through profit or loss for the purposes of the reclassification. Commencing on 1 October 2018, METRO will decide for each new equity instrument whether the instrument is measured at fair value through other comprehensive income or at fair value through profit or loss.

METRO does not expect any significant effects from the application of IFRS 9 in the area of financial liabilities.

METRO exercises the option to continue the accounting of hedging transactions in accordance with IAS 39.

The introduction of IFRS 9 entails extensive new disclosure requirements pursuant to IFRS 7 (Financial Instruments: Disclosures). The analysis carried out in this respect was also concerned with identifying the data to be disclosed in the notes that are currently not reported or generated by the current reporting processes. METRO is currently setting up the necessary systems and control mechanisms for making the material disclosures required under IFRS 7 available.

METRO will apply the new standard for the first time on 1 October 2018. METRO will make use of the option pertaining to an exemption from a full retrospective application and recognise the effect of the first-time application of the standard as an adjustment to the opening balance of the reserves retained from earnings with effect on 1 October 2018.

IFRS 15 (REVENUE FROM CONTRACTS WITH CUSTOMERS)

The new IFRS 15 will replace IAS 18 (Revenue) and IAS 11 (Construction Contracts) and related interpretations and stipulates a uniform and comprehensive model for recognising revenue from customers.

The new standard uses a 5-step model to determine the amount of revenue and the date of realisation. Revenues are recognised at the point in time 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 single point in time or over a period of time. If the performance obligation is satisfied over a period of time, the revenue is recognised over the period in such a way that, on the basis of the selected method, the performance obligation is satisfied in a manner that best reflects the continuous transfer of control over time.

IFRS 15 is to be applied for the first time to financial years beginning on or after 1 January 2018. METRO will commence application of the standard for financial year 2018/19 commencing on 1 October 2018 (IFRS 15 conversion year) and elect to apply the modified retrospective transitional approach, in which no adjustment of the previous year's figures takes place and any resulting adjustment amount is recognised in equity. METRO elects to make use of the simplified process and only applies IFRS 15 retrospectively to contracts that have not been fully performed at the date of the first-time application (1 October 2018). During the course of the almost completed group-wide project concerned with the introduction of IFRS 15, the following significant conversion issues were identified within the METRO group and will be affected by an adjustment to the reserves retained from earnings in a low single-digit million amount in the opening balance sheet as of 1 October 2018.

ESSENTIAL RIGHTS FROM CUSTOMER LOYALTY PROGRAMMES

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

MULTI-COMPONENT CONTRACTS IN RELATION TO FRANCHISE AGREEMENTS

Some of METRO's franchise models make use of multi-component contracts that provide for customers purchasing a package of franchise products and services from METRO at the time of entering into the contract, with selected contractual components being subsidised by METRO. In such cases, the total consideration of the contract shall be divided into the identifiable performance obligations in accordance with the relative individual selling prices and, in comparison to the previous accounting, a potentially larger part of the total compensation is attributable to the previously subsidised component, so that in the future revenues for those products must be reported earlier. Therefore, the balance sheet total at the time of initial application may increase as a result of the capitalisation of contract assets. Legally, these represent not yet incurred receivables from the customer contract.

The following conversion issues will in each instance result in the revised disclosure of a low single- to low double-digit million amount within the sales item and without adjustments affecting equity:

PRINCIPAL/AGENT RELATIONSHIP

The acknowledgement of whether METRO AG acts as principal or agent must be reassessed based on the indicator changes in IFRS 15. This results in a reduction of sales in a low double-digit million amount in the financial year as a result of the switch from being treated as a principal (recognition of gross sales and separate recognition of cost of sales) to being treated as an agent (recognition of net sales and cost of sales).

TRANSPORT SERVICES IN STORE-BASED RETAIL

Product sales are allocated to service revenues (transport revenues) due to discounted or free delivery. This results in a changed disclosure within the item sales.

LICENCES IN RELATION TO FRANCHISE AGREEMENTS

Product sales are allocated to service revenues due to the issuance of franchise licences at discounted prices under multi-component contracts for franchising agreements. This results in a changed disclosure within sales.

RIGHT OF RETURN

Sales in some METRO Wholesale business models regularly result in redemption or conversion rights. These may be legally binding or arise from active business practice. Refunds represent a form of variable consideration in the determination of the transaction price. The disclosure of the return obligations will in the future be made in the liabilities section under the item return liability. In addition, an asset is recognised for the company's right to recover products upon settlement of the return obligation (return asset).

The application of IFRS 15 will otherwise affect the notes to the consolidated financial statements.

New transactions are continuously examined in terms of their potential IFRS 15-relevant implications.

IFRS 16 (LEASES)

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

The key change in IFRS 16 compared to IAS 17 concerns the lessee accounting model. Lessees no longer have to classify leases as operating or finance. Instead, the lessee recognises a right-of-use asset and a lease liability upon commencement of the lease when the lessor makes an underlying asset available for use by the lessee.

The lessee measures the lease liability at the present value of the lease payments payable over the lease term. The lease payments include all fixed payments less any lease incentives for the conclusion of the contract. This includes all index-based variable lease payments. In addition, the lease payments must include any variable lease payments that classify as in-substance fixed payments as well as amounts expected to be payable by the lessee under residual value guarantees. The exercise price of a purchase or lease extension option must be included if it is reasonably certain that the lessee will 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.

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

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

EXERCISING OF OPTIONS

Lessees can elect to make use of several policy options. METRO has policy options in accounting and measurement relating to the creation of portfolios of contracts with identical or similar characteristics, which METRO does not exercise. METRO will exercise the option of not applying the right-of-use approach to low-value assets (mainly business and office equipment) and short-term leases (maximum term of 12 months). Rental expenses for these assets must therefore be recognised directly in the income statement.

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

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

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

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

METRO will apply these regulations for the first time on 1 October 2019, and thus refrains from early application of the standard together with IFRS 15 on 1 October 2018.

TRANSITIONAL ARRANGEMENTS

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

PROJECT STATUS

METRO AG has further analysed the effects of IFRS 16 during the past financial year 2017/18 (post-impact analysis) as part of a group-wide implementation project. The modified standard method was used to ascertain the effects on the key financial figures as part of the post-impact analysis.

The new leasing standard IFRS 16 has a significant impact on the true and fair view of the asset, financial and earnings position of METRO.

While future payment obligations for operating leases had previously only been disclosed in the notes, the resulting rights and payment obligations are to be accounted for in future as rights of use and lease liabilities. This mainly affects the leasing of real estate.

METRO expects a significant increase in total assets at the time of initial application in the amount of €3 billion to €4 billion (of which approx. €1 billion is attributable to the discontinued operations) due to the increase in fixed assets based on the addition of the right of use to be capitalised. Additional impairment losses and interest expenses will be recognised in the income statement in the future instead of leasing expenses. This leads to an improvement in EBITDA in an amount in the mid 3-digit million euro range (which includes a low 3-digit million amount attributable to the discontinued operations) and an EBIT improvement at the expense of the financial result in the low 3-digit million euro range (of which a high 2-digit million amount is attributable to the discontinued operations).

METRO has decided to implement centralised software that will be used to document and evaluate all leases throughout the entire group.

ADDITIONAL IFRS AMENDMENTS

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

Segment reporting

METRO has changed its segment reporting with the beginning of financial year 2017/18 (please refer to the comments on segment reporting). METRO's operational business is handled by the following 7 segments:

- METRO Wholesale Germany
- METRO Wholesale Western Europe (excl. Germany)
- METRO Wholesale Russia
- METRO Wholesale Eastern Europe (excl. Russia)
- METRO Wholesale Asia
- Real
- Others

Consolidation group

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

Including METRO AG, 201 German (30/9/2017: 204) and 200 international (30/9/2017: 215) companies are included in the consolidated financial statements.

The group of consolidated companies changed as follows in financial year 2017/18:

As of 1/10/2017	419
Changes in financial year 2017/18	
Companies merged with other consolidated subsidiaries	6
Disposal of shares	9
Other disposals	12
Newly founded companies	6
Acquisitions	3
As of 30/9/2018	**401**

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

The reported 9 disposals exclusively concern the METRO Wholesale Western Europe segment (excluding Germany).

The other disposals result in particular from 7 liquidations.

Effects from changes in the consolidation group that are of special significance are explained separately in the respective items.

For materiality reasons, 4 affiliated subsidiaries are not fully consolidated.

Structured entities

Structured entities within the group concern leasing companies. The key purpose of the leasing companies is to acquire, lease out and manage assets. As of the closing date, 3 (30/9/2017: 9) structured entities are fully consolidated. As was already the case in the previous year, there were no obligations to grant financial assistance to structured entities within the meaning of IFRS 12.14. There are also no relationships with unconsolidated structured entities.

Investments accounted for using the equity method

24 associates (30/9/2017: 22) and 8 joint ventures (30/9/2017: 7) are recognised in the consolidated financial statements according to the equity method.

Another 2 companies (30/9/2017: 2) in which METRO AG indirectly or directly holds between 20% and 50% of the voting rights were valued at cost because they did not qualify as associates or because materiality considerations made the use of the equity method unnecessary.

OVERVIEW OF MAJOR SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

€million

30/9/2017		Non-controlling interests								
Name	Registered office	in %	as of 30/9/2017	Dividends paid[1]	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Sales	Profit share[1]
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	24	0	326	768	3	841	2,672	11

€million

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

[1] Attributable to non-controlling interests.

— **A complete list of group companies and associates is shown in no. 55 – overview of the major fully consolidated group companies. In addition, a complete list of all group companies and associates is shown in no. 57 – affiliated companies of METRO AG as of 30 September 2018 pursuant to § 313 of the German Commercial Code.**

Consolidation principles

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

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

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

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

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

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

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

According to IFRS 11 (joint arrangements), the individual partners in joint arrangements recognise their portion of jointly held assets and jointly incurred liabilities in their own balance sheet.

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

Unrealised gains from transactions with companies accounted for using the equity method are derecognised against the investment in the amount of the group's share in the investee.

In joint arrangements, each of the partner companies recognises its own portion of sales, income and expenses resulting from the joint arrangement in its income statement.

If a reduction in the shareholding quota in a subsidiary or the complete disposal of the shares entails a loss of control, full consolidation of the subsidiary is ended when the control opportunity ends. All assets and liabilities that were previously fully consolidated will then be derecognised at amortised group carrying amounts (deconsolidation). Any shares held after loss of the control opportunity are recognised at fair value as a financial instrument according to IAS 39 or as a holding pursuant to IAS 28 (equity method).

Currency translation

Foreign currency transactions

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

In principle, gains and losses from exchange rate fluctuations incurred until the closing date are recognised in profit or loss. Currency translation differences from receivables and liabilities in foreign currency, which must be regarded as (part of) a net investment in a foreign operation, equity instruments held for sale and qualified cash flow hedges are reported as reserves retained from earnings outside of profit or loss.

Foreign operations

The annual financial statements of foreign subsidiaries are prepared according to the functional currency concept of IAS 21 (the effects of changes in foreign exchange rates) and translated into euros in as far as their functional currency is a currency other than the euro. The functional currency is defined as the currency of the primary economic environment of the subsidiary. Since all consolidated companies operate as financially, economically and organisationally autonomous entities, their respective local currency is the functional currency. Assets and liabilities are therefore translated at the current exchange rate prevailing on the closing date. As a rule, income statement items are translated at the average exchange rate during the financial year. Differences from the translation of the financial statements of foreign subsidiaries do not affect income and are shown as separate items under reserves retained from earnings. To the extent that foreign subsidiaries are not under the full control of the parent company, the relevant share of currency differences is allocated to the non-controlling interests.

Currency differences are recognised through profit or loss in the net financial result in the year in which the operations of a foreign subsidiary are deconsolidated or terminated. In a partial disposal in which a controlling interest in the foreign subsidiary is retained, the relevant share of cumulated currency differences is allocated to the non-controlling interests. Should foreign associates or jointly controlled entities be partially sold without the loss of significant influence or joint control, the relevant share of the cumulated currency differences is recognised in the income statement.

In financial year 2017/18, no functional currency of a consolidated company was classified as hyperinflationary as defined by IAS 29 (financial reporting in hyperinflationary economies).

The following exchange rates were applied in the translation of key currencies outside the Economic and Monetary Union that are of major significance for METRO:

		Average exchange rate per €		Exchange rate at closing date per €	
		2016/17	**2017/18**	30/9/2017	**30/9/2018**
Bulgarian lev	BGN	1.95583	**1.95583**	1.95583	**1.95583**
Chinese renminbi	CNY	7.52183	**7.78072**	7.85340	**7.96620**
Croatian kuna	HRK	7.46142	**7.44639**	7.49500	**7.43460**
Czech koruna	CZK	26.67131	**25.59342**	25.98100	**25.73100**
Danish krone	DKK	7.43772	**7.44841**	7.44230	**7.45640**
Egyptian pound	EGP	18.79223	**21.14591**	20.78390	**20.96995**
Hong Kong dollar	HKD	8.59544	**9.32227**	9.22140	**9.05790**
Hungarian forint	HUF	308.69863	**315.96660**	310.67000	**324.37000**
Indian rupee	INR	72.61794	**79.17455**	77.06900	**83.91600**
Indonesian rupiah	IDR	14,704.02000	**16,563.99000**	15,888.51000	**17,249.98000**
Japanese yen	JPY	122.90301	**131.44140**	132.82000	**131.23000**
Kazakhstani tenge	KZT	360.51395	**399.50173**	402.64000	**420.91000**
Moldovan leu	MDL	21.12759	**20.07596**	20.74650	**19.76180**
Myanmar kyat	MMK	1,485.61726	**1,643.89863**	1,601.80000	**1,816.30000**
Norwegian krone	NOK	9.18636	**9.59644**	9.41250	**9.46650**
Pakistani rupee	PKR	116.00002	**136.55544**	124.35150	**144.19130**
Polish zloty	PLN	4.29356	**4.24399**	4.30420	**4.27740**
Pound sterling	GBP	0.87177	**0.88479**	0.88178	**0.88730**
Romanian leu	RON	4.54062	**4.64422**	4.59930	**4.66380**
Russian rouble	RUB	65.71585	**72.23349**	68.25190	**76.14220**
Serbian dinar	RSD	122.45092	**118.46441**	119.36590	**118.41790**
Singapore dollar	SGD	1.53981	**1.59897**	1.60310	**1.58390**
Swiss franc	CHF	1.09089	**1.16162**	1.14570	**1.13160**
Turkish lira	TRY	3.88674	**5.24182**	4.20130	**6.96500**
Ukrainian hryvnia	UAH	29.07864	**32.08969**	31.37857	**32.72527**
US dollar	USD	1.10467	**1.19026**	1.18060	**1.15760**
Vietnamese dong	VND	24,607.59000	**26,816.38000**	26,487.30000	**26,722.01000**

Income statement

Recognition of income and expenses
In accordance with IAS 18 (revenue), **sales** and **other operating income** are reported immediately upon rendering of the service or delivery of the goods. In the latter case, the timing is determined by the transfer of risk to the customer. Where customers are granted the right to return goods and cancel services, sales are recognised only if the probability of return can be reliably estimated. To this end, return rates are calculated on the basis of historical data and projected to future take-back obligations. No sales are recognised for the portion allocated to the expected returns; instead, a provision is recognised. Sales are shown after deduction of value added tax, rebates and discounts. They are recognised at the time the essential opportunities and risks associated with the sale of the goods or services have transferred to the company.

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. The prorata sales are realised based on the estimated fair value of the individual contractual components.

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

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

METRO's **financial result** consists primarily of interest income and expenses. As a general rule, dividends are recognised as income when the legal claim to payment arises. Debt capital interests that are directly attributable to the acquisition or production of a so-called qualified asset represent an exception as they must be included in the acquisition or production costs of the asset capitalised pursuant to IAS 23 (borrowing costs).

Income taxes

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

Balance sheet

Goodwill

Goodwill is regularly tested for impairment once a year – or more frequently if changes in circumstances indicate a possible impairment. If an impairment exists, an impairment loss is recognised through profit or loss. To determine a possible impairment, the recoverable amount of a cash-generating unit is compared to the corresponding carrying amount of the cash-generating unit. The recoverable amount is the higher of value in use and fair value less costs to sell. An impairment of the goodwill allocated to a cash-generating unit applies only if the recoverable amount is lower than the total 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.

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 if the intangible asset is a so-called qualified asset pursuant to IAS 23 (borrowing costs). Qualified assets are defined as non-financial assets that take a substantial period of time to prepare for their intended use or sale.

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

Intangible assets with an infinite useful life are not subject to straight-line amortisation, but are subjected to an impairment test at least once a year. Impairments and value gains are recognised through profit or loss based on the historical cost principle.

Property, plant and equipment

Property, plant and equipment are recognised at amortised cost pursuant to IAS 16 (property, plant and equipment). The manufacturing cost of internally generated assets includes both direct costs and directly attributable overhead. Borrowing costs are only capitalised in relation to so-called qualified assets as a component of acquisition or production costs. In line with IAS 20 (accounting for government grants and disclosure of government assistance), **investment grants** received are offset against the acquisition or production costs of the corresponding asset. **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 of the tangible asset.

All property, plant and equipment is depreciated using the straight-line acquisition cost method pursuant to IAS 16. Throughout the group, depreciation is based on the following useful lives:

Buildings	10 to 33 years
Leasehold improvements	8 to 15 years or shorter rental contract duration
Business and office equipment	3 to 13 years
Machinery	3 to 8 years

Capitalised reinstatement costs are depreciated on a pro rata basis over the useful life of the asset.

Pursuant to IAS 36, an impairment test will be carried out if there are any indications of impairment of property, plant and equipment or impairment of a cash-generating unit attributable to such property, plant and equipment. Impairment losses are recognised if the recoverable amount is below the amortised cost. Impairment losses are reversed up to the amount of amortised acquisition or production costs if the reasons for the impairment have ceased to exist.

In accordance with IAS 17 (leases), economic ownership of leased assets is attributable to the lessee if all the material risks and rewards incidental to ownership of the asset are transferred to the lessee **(finance lease).** If economic ownership is attributable to a METRO company acting as lessee, the leased asset is capitalised at fair value or at the lower present value of the minimum lease payments when the lease is signed. Analogous to the comparable purchased property, plant and equipment, leased assets are subject to depreciation over their useful lives or the lease term if the latter is shorter. However, if it is sufficiently certain that ownership of the leased asset will be transferred to the lessee (METRO) 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.

An **operating lease** applies when economic ownership of the leased object is not transferred to the lessee. METRO does not recognise assets or liabilities for operating leases, but merely recognises rental expenses in its income statement over the term of the lease using the straight-line method.

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. Investment properties are depreciated using the straight-line method over a useful life of 15 to 33 years. Furthermore, the fair value of these properties is stated in the notes. This is determined on the basis of recognised measurement methods, including an assessment and the consideration of project development opportunities.

Financial assets

Financial assets (financial investments) that do not represent **associates** under IAS 28 (investments in associates and joint ventures) or **joint ventures** under IAS 11 (construction contracts) are recognised in accordance with IAS 39 (financial instruments: Recognition and Measurement) and assigned to one of the following categories:

- ‘Loans and receivables’
- ‘Held to maturity’
- ‘At fair value through profit or loss’
- ‘Available for sale’

The first-time recognition of financial assets is effected at fair value. In the process, incurred transaction costs are considered for all categories with the exception of the category ‘at fair value through profit or loss’. Measurement is effected at the trade date.

Depending on the classification to the categories listed above, financial assets are capitalised either at amortised cost or at fair value:

- **‘Loans and receivables’** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised at amortised cost using the effective interest method.
- The measurement category **‘held to maturity’** includes non-derivative financial assets with fixed or determinable payments and fixed maturity, with the company having both the positive intention and the ability to hold them to maturity. They are also recognised at amortised cost using the effective interest method.
- Financial instruments ‘held for trading’ are financial assets that are either acquired or incurred principally for the purpose of selling or repurchasing in the near term or that are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Furthermore, this category includes derivative financial instruments that are not part of an effective hedge. Financial instruments ‘held for trading’ are measured **‘at fair value through profit or loss’.**
- The category **‘available for sale’** represents a residual category for primary financial assets that cannot be assigned to any of the other 3 categories. METRO does not make use of the optional designation of financial assets to the category ‘available for sale’. ‘Available for sale’ financial assets are recognised at fair value in equity. Fluctuations in the fair value of ‘available for sale’ financial assets are recognised in other comprehensive income. The amounts recognised are not reclassified to profit or loss for the respective period until the financial asset is derecognised or an impairment of the assets has occurred.

Investments are assets to be classified as 'available for sale'. **Securities** are classified as 'held to maturity', 'available for sale' or 'held for trading'. **Loans** are classified as 'loans and receivables'.

Financial assets designated as **hedged items** as part of a fair value hedge are recognised at fair value through profit or loss.

Equity instruments for which no quoted price on an active market exists and whose fair value cannot be reliably measured, as well as derivatives on such equity instruments, are recognised at cost.

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 deteriorations in the borrower's creditworthiness. If there are any such indications, the respective financial asset is tested for impairment by comparing the carrying amount to the present value. The present value of financial assets measured at amortised cost corresponds to the present value of expected future cash flows, discounted at the original effective interest rate. However, the present value of equity instruments measured at cost in the category 'available for sale' corresponds to expected future cash flows discounted at the current market interest rate. If the present value is lower than the carrying amount, an impairment loss is recognised for the difference. Where decreases in the fair value of financial assets in the category 'held for sale' were previously recognised in other comprehensive income outside of profit or loss, these are now recognised in profit or loss to the amount of determined impairment and reclassified accordingly.

If, at a later date, the present value increases again, the impairment loss is reversed accordingly. In the case of financial assets recognised at amortised cost, the impairment loss reversal is limited to the amount of amortised cost which would have occurred without the impairment. In the category 'available for sale', the reversal of previously recognised impairment losses for equity instruments is shown outside of profit or loss in other comprehensive income, while for debt instruments it is shown in profit or loss up to the amount of the impairment previously recognised through profit or loss. Increases in value for debt instruments beyond this are recognised outside of profit or loss in other comprehensive income.

Financial assets are derecognised when the contractual rights to cash flows from the item in question are extinguished or have expired or the financial asset is transferred.

Other financial and non-financial assets

The assets reported under **other financial assets** that are classified as 'loans and receivables' under IAS 39 are measured at amortised cost.

Other assets include, among others, derivative financial instruments to be classified as 'held for trading' in accordance with IAS 39. All other receivables and assets are recognised at amortised cost.

Prepaid expenses and deferred charges comprise transitory accruals.

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are determined using the asset-liability method in accordance with IAS 12 (income taxes). Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets or liabilities in the consolidated financial statements and their tax base. Deferred tax assets are also considered for unused tax loss and interest carry-forwards.

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

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

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

The assessment of deferred taxes reflects the tax consequence arising from how METRO expects to recover the carrying amounts of its assets and settle its obligations as of the closing date.

Inventories
In accordance with IAS 2 (inventories), merchandise carried as **inventories** is reported at cost of purchase. The cost of purchase is determined either on the basis of a separate measurement of additions from the perspective of the procurement market or by means of the weighted average cost method. Supplier compensation to be classified as a reduction in the cost of purchase lowers the carrying amount of inventories.

Merchandise is valued as of the closing date at the lower of cost or net realisable value. Merchandise is written down on a case-by-case basis if the net realisable value declines below the carrying amount of the inventories. Such net realisable value corresponds to the anticipated estimated selling price less the estimated direct costs necessary to make the sale.

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

Trade receivables
In accordance with IAS 39, **trade receivables** are classified as 'loans and receivables' and recognised at amortised cost. Where their recoverability appears doubtful, the trade receivables are recognised at the lower present value of the estimated future cash flows. Aside from the required specific bad debt allowances, a generalised specific allowance is carried out to account for the general credit risk.

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

In addition, the effects of tax risks are considered in the determination of income tax liabilities. The premises and assessments underlying these risks are regularly reviewed and considered in the determination of income tax.

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

Non-current assets held for sale, liabilities related to assets held for sale and discontinued operations
In accordance with IFRS 5 (non-current assets held for sale and discontinued operations), an asset is classified as a **non-current asset held for sale** if the respective carrying amount will be recovered principally through a sale transaction rather than through continuing use. Analogously, liabilities related to assets held for sale are presented separately in the balance sheet. A sale must be feasible in practice and be planned for execution within the subsequent 12 months. The valuation of the assets and liabilities' carrying amounts pursuant to the relevant IFRS must directly precede the first-time classification as held for sale. In case of reclassification, the assets and liabilities of the disposal group are measured at the lower of carrying amount and fair value less costs to sell and presented separately in the balance sheet.

Employee benefits
Employee benefits include:
- Short-term employee benefits
- Post-employment benefits
- Obligations similar to pensions
- Termination benefits
- Share-based payment

Short-term employee benefits include wages and salaries, social security contributions, vacation pay and sickness benefits and are recognised as liabilities at the disbursement amount as soon as the associated job performance has been rendered.

Post-employment benefits are provided in the context of defined benefit or defined contribution plans. In the case of defined **contribution plans,** periodic contribution obligations to the external pension provider are recognised as expenses for post-employment benefits at the same time as the beneficiary's job performance. Missed payments or prepayments to the pension provider are accrued as liabilities or receivables. Liabilities with a term of over 12 months are discounted.

The actuarial measurement of provisions for post-employment benefits plans as part of a **defined benefit plan** is effected in accordance with the projected unit credit method stipulated by IAS 19 (employee benefits) on the basis of actuarial opinions. Based on biometric data, this method takes into account known pensions and pension entitlements at the closing date as well as expected increases in future wages and pensions. Where the employee benefit obligations determined or the fair value of the plan assets increase or decrease between the beginning and end of a financial year as a result of experience adjustments (for example, a higher fluctuation rate) or changes in underlying actuarial assumptions (for example, the discount rate), this will result in so-called actuarial gains or losses. These are recognised in other comprehensive income with no effect on profit or loss. Effects of plan changes and curtailments are recognised fully under service costs through profit or loss. The interest element of the addition to the provision contained in the pension expense is shown as interest paid under the financial result. Insofar as plan assets exist, the amount of the pension 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 based on the present value of future payment obligations to the employee or his or her surviving dependants less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Actuarial gains and losses are recognised in profit or loss in the period in which they are incurred.

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

The share bonuses granted under the share-based payment system are classified as **'cash-settled share-based payments'** pursuant to IFRS 2 (share-based payment). Proportionate provisions measured at the fair value of the obligations entered into are formed for these payments. The proportionate formation of the provisions is prorated over the underlying vesting period and recognised in profit or loss as personnel expenses. The fair value is remeasured at each closing date during the vesting period until exercised based on an option pricing model. Provisions are adjusted accordingly in profit or loss.

Where granted, share-based payments are hedged through corresponding transactions; the hedging transactions are measured at fair value and shown under other financial and non-financial assets. The portion of the hedges' value fluctuation that corresponds to the value of fluctuation of the share-based payments is recognised in personnel expenses. The surplus amount of value fluctuations is recognised in other comprehensive income outside of profit or loss.

(Other) provisions

In accordance with IAS 37 (provisions, contingent liabilities and contingent assets), **(other) provisions** are formed if legal or constructive obligations to third parties exist that are based on past business 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.

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 covers 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 of 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.

Warranty provisions are formed based on past warranty claims and the sales of the current financial year.

Financial liabilities
According to IAS 39, **financial liabilities** that do not represent liabilities from finance leases are assigned to one of the following categories:

- 'At fair value through profit or loss' ('held for trading')
- 'Other financial liabilities'

The first-time recognition of financial liabilities and subsequent measurement of financial liabilities **'held for trading'** is effected based on the same stipulations as for financial assets.

The category **'other financial liabilities'** comprises all financial liabilities that are not 'held for trading'. They are carried at amortised cost using the effective interest method. The fair value option is not applied within METRO.

Financial liabilities designated as the hedged item in a fair value hedge are carried at their fair value. The fair values indicated for the financial liabilities have been determined on the basis of the interest rates prevailing on the closing date for the remaining terms and redemption structures.

Financial liabilities from finance leases are generally measured at the present value of future minimum lease payments.

A financial liability is derecognised only when it has expired, that is, when the contractual obligations have been redeemed or annulled or have expired.

Other financial and other liabilities
Other financial and other liabilities are carried at their settlement amounts unless they represent derivative financial instruments, 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 METRO's control. On the other hand, contingent liabilities represent current obligations arising from past events for which, however, an outflow of economic resources is not considered probable or whose amount cannot be determined with sufficient reliability. Such liabilities are not recognised in the balance sheet but disclosed in the notes. Contingent liabilities are determined on the basis of the principles applying to the measurement of provisions.

Accounting for derivative financial instruments and hedge accounting
Derivative financial instruments are exclusively utilised to reduce risks. They are used in accordance with the respective group guidelines.

In accordance with IAS 39, all derivative financial instruments are recognised at fair value and shown under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of interbank terms and conditions, possibly including the credit margin or stock exchange price applicable to METRO; for this, the average rate on the closing date is used. Where no stock exchange prices can be used, the fair value is determined by means of recognised financial models.

In the case of an effective hedge accounting transaction **(hedge accounting)** pursuant to IAS 39, fair value changes of derivatives designated as fair value hedges and the fair value changes of the underlying transactions are reported in profit or loss. In cash flow hedges, the effective portion of the fair value change of the derivative is recognised in other comprehensive income outside of profit or loss. A transfer to the income statement is effected only when the underlying transaction is realised. The ineffective portion of the change in the value of the hedging instrument is in these cases directly recognised through profit or loss.

Supplier compensation
Depending on the underlying circumstances, supplier compensation is recognised as a reduction in the cost of purchase, reimbursement or payment for services rendered. Supplier compensation is accrued at the closing date insofar as it has been contractually agreed upon and is likely to be realised. For supplier remunerations linked to calendar year targets, the remuneration included in the financial statement is based on appropriate extrapolations.

Judgements, estimates and assumptions

The preparation of the consolidated financial statements was based on a number **of judgements, estimates and assumptions** that had an effect on the value and presentation of the reported assets, liabilities, income and expenses as well as contingent liabilities.

Judgements
Information on the key judgements that materially affected the amounts reported in these consolidated financial statements relate to the following circumstances or disclosures in these consolidated financial statements:

- Classification of leases as finance leases or operating leases – including sale-and-leaseback transactions (no. 2 – other operating income and no. 21 – property, plant and equipment)
- Determination of whether METRO is the principal or agent in sales transactions (no. 1 – sales)
- Determination of the group of investments accounted for at equity by assessing the material influence

Estimates and assumptions
Information on estimates and underlying assumptions with significant effects on these consolidated financial statements is included in the following notes:

- Uniform group-wide determination of useful lives for assets with a definite useful life (no. 15 – depreciation/amortisation/impairment losses, no. 20 – other intangible assets and no. 21 – property, plant and equipment)
- Impairment testing of assets with a definite useful life if warranted by events (no. 15 – depreciation/amortisation/impairment losses, no. 20 – other intangible assets and no. 21 – property, plant and equipment)
- Annual goodwill impairment tests including sensitivity analysis (no. 19 – goodwill)
- Recoverability of receivables – particularly receivables from suppliers from rebates (no. 24 – other financial and non-financial assets)
- Recognition of supplier compensation on an accrual basis (no. 24 – other financial and non-financial assets)
- Ability to realise future tax receivables – particularly from tax loss carry-forwards (no. 25 – deferred tax assets/deferred tax liabilities)
- Measurement of inventories (no. 26 – inventories)
- Determination of provisions for post-employment benefits plans (no. 33 – provisions for post-employment benefits plans and similar obligations)
- Determination of other provisions – for example, for deficient rental cover and onerous contracts, restructuring, warranties, taxes and risks emerging from legal proceedings and litigation (no. 34 – other provisions (non-current)/provisions (current))
- Estimation of the expected date of conclusion of a transaction with respect to the classification as non-current assets held for sale, liabilities related to assets held for sale and discontinued operations (no. 31 – assets held for sale/liabilities related to assets held for sale)
- Estimation of the probability of utilisation from supplier liabilities (no. 36 – trade liabilities)

Although great care has been taken in making these estimates and assumptions, actual values may deviate from them in individual cases. The estimates and assumptions used in the consolidated financial statements are regularly reviewed. Changes are taken into account at the time new information becomes available.

CAPITAL MANAGEMENT

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

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

Equity, liabilities and net debt in the consolidated financial statements

Equity amounts to €3,130 million (30/9/2017: €3,207 million), while liabilities amount to €12,112 million (30/9/2017: €12,572 million). Net debt amounts to €2,710 million compared with €3,142 million as of 30/9/2017. The figures from the previous year include net debt from discontinued operations in the amount of €410 million.

€ million	30/9/2017	**30/9/2018**
Equity	**3,207**	**3,130**
Liabilities	**12,572**	**12,112**
Net debt	**3,142**	**2,710**
Financial liabilities (incl. finance leases)	4,706	**4,010**
Cash and cash equivalents according to the balance sheet	1,559	**1,298**
Short-term financial investments[1]	5	**2**

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

Local capital requirements

The capital market strategy of METRO consistently aims to ensure that the group companies' capital resources meet the local requirements. During financial year 2017/18, all external capital requirements were fulfilled. This includes, for example, adherence to a defined level of indebtedness or a fixed equity ratio.

NOTES TO THE INCOME STATEMENT

1. Sales revenues

Sales in the amount of €29,476 million (2016/17: €29,903 million) essentially result from the sale of goods. Of this amount, €24,743 million (2016/17: €25,184 million) are attributable to international group companies.

— **Sales developments by segments are presented in segment reporting.**

2. Other operating income

€ million	2016/17	2017/18
Income from logistics services	282	**285**
Rents incl. reimbursements of subsidiary rental costs	277	**273**
Services/cost refunds	261	**254**
Gains from the disposal of fixed assets and gains from the reversal of impairment losses	171	**146**
Services rendered to suppliers	136	**111**
Income from deconsolidation	36	**5**
Miscellaneous	173	**186**
	1,336	**1,259**

The income from logistics services provided by METRO LOGISTICS to non-group companies are offset by expenses from logistics services, which are reported under other operating expenses.

Gains from the disposal of fixed assets and gains from the reversal of impairment losses include income in the amount of €72 million mainly from the disposal of real estate that will be used fully or for the most part by third parties in the future (2016/17: €158 million). This includes income of €65 million from the sale of real estate assets that METRO plans to continue to use in the medium term under tenancy agreements (2016/17: €6 million). In addition, this item essentially includes gains from the reversal of impairment losses in the amount of €4 million (2016/17: €3 million).

The decline in services rendered to suppliers by €25 million is predominantly attributable to Poland and France.

Income from deconsolidation primarily comprises retrospective effects from the deconsolidation of the Polish Real organisation in the 2013/14 financial year (2016/17: €36 million, mainly from the disposal of Chengdu Qingyue Property Services Co., Ltd., China).

Other operating income includes cost allocations and cost shares as well as a large number of individually insignificant individual items.

3. Selling expenses

€ million	2016/17	2017/18
Personnel expenses	2,121	**2,079**
Cost of material	2,278	**2,201**
	4,399	**4,280**

In selling expenses, personnel expenses were lower than in the previous year, primarily due to lower variable payments (€22 million) and restructuring expenses (€12 million).

Cost of material was lower than in the previous year, primarily because of reduced impairment (€30 million) and lower depreciation (€16 million).

4. General administrative expenses

€ million	2016/17	2017/18
Personnel expenses	440	**424**
Cost of material	497	**444**
	937	**868**

The reduction of personnel expenses within general administrative expenses results mainly from lower variable payments in the Others segment.

The reduction in cost of material is mainly connected to demerger-related expenses in the previous year.

5. Other operating expenses

€ million	2016/17	2017/18
Expenses from logistics services	282	**272**
Losses from the disposal of fixed assets	30	**3**
Impairment losses on goodwill	19	**0**
Miscellaneous	38	**21**
	370	**295**

The expenses from logistics services provided by METRO LOGISTICS to non-group companies are offset by income from logistics services, which are reported under other operating income.

6. Earnings share of operating/non-operating companies recognised at equity

The earnings of operating companies recognised at equity that have an operational relation to ordinary business activities are shown in the income statement in the EBIT item earnings share of operating companies recognised at equity. This amounts to €14 million (2016/17: €14 million). Of these, €8 million (2016/17: €9 million) are attributable to the Others segment and €5 million (2016/17: €4 million) to the METRO Wholesale Western Europe (excluding Germany) segment. As in the past, the earnings share of non-operating companies recognised at equity is shown in the net financial result and amounts to €0 million (2016/17: €0 million). The earnings shares of operating and non-operating companies consolidated at equity amounted to €14 million (2016/17: €14 million).

7. Other investment result

Other investment result essentially contains income from the disbursement of investments and amounts to €0 million (2016/17: €1 million).

8. Net interest income/interest expenses

The interest result can be broken down as follows:

€ million	2016/17	2017/18
Interest income	**43**	**34**
thereof finance leases	(0)	**(0)**
thereof from post-employment benefits plans	(5)	**(5)**
thereof from financial instruments of the measurement categories according to IAS 39:		
loans and receivables incl. cash and cash equivalents	(29)	**(24)**
held to maturity	(0)	**(0)**
held for trading incl. derivatives in a hedging relationship according to IAS 39	(0)	**(0)**
available for sale	(0)	**(0)**
Interest expenses	**–171**	**–163**
thereof finance leases	(–57)	**(–51)**
thereof from post-employment benefits plans	(–12)	**(–16)**
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	(0)	**(0)**
other financial liabilities	(–91)	**(–79)**
	–128	**–128**

Interest income and interest expenses from financial instruments are assigned to the measurement categories according to IAS 39 on the basis of the underlying transactions.

Interest expenses in the measurement category ‘other financial liabilities’ primarily include interest expenses for issued bonds (including the Commercial Paper Programme) of €55 million (2016/17: €66 million) and liabilities to banks in the amount of €12 million (2016/17: €13 million).

The decline in interest expenses was primarily the result of more favourable refinancing terms.

9. Other financial result

Other financial income and expenses from financial instruments are assigned to measurement categories according to IAS 39 on the basis of the underlying transactions. Besides income and expenses from the measurement of financial instruments according to IAS 39, this also includes the measurement of foreign currency positions according to IAS 21.

€ million	2016/17	**2017/18**
Other financial income	162	**184**
thereof currency effects	(127)	**(128)**
thereof hedging transactions	(8)	**(16)**
Other financial expenses	–194	**–186**
thereof currency effects	(–161)	**(–155)**
thereof hedging transactions	(–13)	**(–3)**
Other financial result	**–32**	**–2**
thereof from financial instruments of the measurement categories according to IAS 39:		
loans and receivables incl. cash and cash equivalents	(–36)	**(–27)**
held to maturity	(0)	**(0)**
held for trading	(–6)	**(6)**
available for sale	(0)	**(0)**
other financial liabilities	(–5)	**(5)**
thereof fair value hedges:		
underlying transactions	(0)	**(0)**
hedging transactions	(0)	**(0)**
thereof cash flow hedges:		
ineffectiveness	(–2)	**(7)**

The overall result from currency effects and measurement results from hedging transactions and hedging relationships totalled €–15 million (2016/17: €–39 million). As in the previous year, this figure largely results from foreign currency financings in Eastern Europe. In addition, the other financial result reflects €4 million (2016/17: €24 million) in currency effects resulting from the translation of the financial statements of foreign subsidiaries that are recognised through profit or loss in the year the subsidiary is deconsolidated or in the year business activities are discontinued.

— **For more information about possible effects from currency risks, see no. 44 – management of financial risks.**

10. Net results according to measurement categories

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

2016/17 € million	Investments	Interest	Fair value measure-ments	Currency translation	Disposals	Impairments	Other	Net result
Loans and receivables incl. cash and cash equivalents	0	29	0	–35	0	–26	–1	–33
Held to maturity	0	0	0	0	0	0	0	0
Held for trading incl. derivatives in a hedging relationship according to IAS 39	0	0	–5	0	0	0	–3	–8
Available for sale	1	0	0	0	0	0	0	1
Other financial liabilities	0	–91	0	0	5	0	–5	–91
	1	**–62**	**–5**	**–34**	**5**	**–26**	**–10**	**–132**

2017/18 **€ million**	**Investments**	**Interest**	**Fair value measure-ments**	**Currency translation**	**Disposals**	**Impairments**	**Other**	**Net result**
Loans and receivables incl. cash and cash equivalents	**0**	**24**	**0**	**–27**	**0**	**–18**	**0**	**–22**
Held to maturity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Held for trading incl. derivatives in a hedging relationship according to IAS 39	**0**	**0**	**13**	**0**	**0**	**0**	**0**	**13**
Available for sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other financial liabilities	**0**	**–79**	**10**	**0**	**4**	**0**	**–5**	**–70**
	0	**–55**	**23**	**–27**	**4**	**–18**	**–5**	**–79**

Income and expenses from financial instruments are assigned to measurement categories according to IAS 39 on the basis of the underlying transactions.

Investment income and income effects from the disposal of investments are included in other investment income. Interest income and expenses are part of the interest result. Fair value measurements and effects from other financial expenses and currency translation are included in the other financial result. Income effects from the disposals 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. 28 – impairments of capitalised financial instruments.**

Remaining financial income and expenses included in the other financial result primarily concern bank commissions and similar expenses that are incurred within the context of financial assets and liabilities.

11. Income taxes

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

€ million	2016/17	2017/18
Deferred taxes in the income statement	73	**4**
thereof from temporary differences	(82)	**(–14)**
thereof from loss and interest carry-forwards	(–9)	**(18)**

€ million	2016/17	2017/18
Actual taxes	222	**231**
thereof Germany	(27)	**(14)**
thereof international	(195)	**(217)**
thereof tax expenses/income of current period	(217)	**(252)**
thereof tax expenses/income of previous periods	(5)	**(–21)**
Deferred taxes	73	**4**
thereof Germany	(–8)	**(39)**
thereof international	(81)	**(–35)**
	295	**235**

The income tax rate of the German companies of METRO consists of a corporate income tax of 15.00% plus a 5.50% solidarity surcharge on corporate income tax as well as the trade tax of 14.70% given an average assessment rate of 420.00%. All in all, this results in an aggregate tax rate of 30.53%. The tax rates are unchanged from the previous year. The income tax rates applied to foreign companies are based on the respective laws and regulations of the individual countries and vary within a range of 0.00% (2016/17: 0.00%) and 44.41% (2016/17: 34.43%).

The reported income tax expenses of €235 million (2016/17: €295 million) are €60 million lower than in the previous year. Besides changes in legislation abroad, the change is, among other reasons, due to lower expenses for write-downs of deferred taxes and risk reduction as well as one-time effects.

Actual taxes include paid taxes of €46 million resulting from group-internal pre-structuring for foreign real estate transactions. A deferred tax revenue of the same amount also results from this transaction.

The income tax expenses of €230 million (continuing and discontinued operations; 2016/17: €304 million) are €54 million (2016/17: €106 million) higher than the expected income tax expenses of €176 million (2016/17: €198 million) that would have resulted if the German total tax rate had been applied to the group's annual results before income taxes.

Reconciliation of estimated to actual income tax expenses is as follows:

€ million	2016/17	2017/18
EBT (earnings before taxes)	**649**	**578**
from continuing operations	674	**693**
from discontinued operations	–25	**–115**
Expected income tax expenses (30.53%)	**198**	**176**
Effects of differing national tax rates	–35	**–66**
Tax expenses and income relating to other periods	5	**–21**
Non-deductible business expenses for tax purposes	49	**43**
Effects of not recognised or impaired deferred taxes	137	**93**
Additions and reductions for local taxes	16	**16**
Tax holidays	–19	**–15**
Other deviations	–48	**3**
Income tax expenses according to the income statement	**304**	**230**
from continuing operations	295	**235**
from discontinued operations	9	**–5**
Group tax rate	**46.9%**	**39.8%**
from continuing operations	43.8%	**33.9%**
from discontinued operations	–35.1%	**4.3%**

The item effects of differing national tax rates includes deferred tax revenue of €23 million (2016/17: €18 million expenses) from tax rate changes.

Tax expenses and income relating to other periods within the financial year include a repayment of approximately €20 million because of a retrospective change in foreign law in the year 2018.

The other deviations of the previous year mainly include deferred tax income from the reversal of a deferred tax liability in connection with the reallocation of goodwill.

12. Profit or loss for the period from discontinued operations after taxes

The Management Board of METRO AG decided in its meeting on 13 September 2018 to sell the hypermarket business including 80 real estate properties that are being used for this purpose and are owned by Real or METRO companies belonging to the Others segment. The decision was made against the backdrop of METRO deciding to focus exclusively on wholesale trade in the future.

The hypermarket business consists of 279 stores of the Real segment and their subsidiaries, most of which render procurement and online services for the Real segment. With the exception of 18 real estate companies and individual properties and a supplier, which are currently included in the Others segment, all assets and liabilities affected by the resolution form part of the Real segment. In the spirit of IFRS 5, they are collectively treated as a discontinued business segment from 30 September 2018 onwards and will be treated as such until their deconsolidation.

The current result of the hypermarket business together with all relevant net-income affecting consolidation elements in the group's income statement were reclassified under the item 'profit or loss for the period from discontinued operations after taxes'. To increase the economic meaningfulness of the earnings statement of the continued sector, its shares in the consolidation effects were also included in the discontinued section of the earnings statement as far as they were related to business relations that are to be upheld in the long term even after the planned disposal. The previous year's figures on the income statement were adjusted accordingly.

As part of the annual impairment test, the goodwill of Real was reduced by €64 million in total, as were further tangible assets by €24 million. The resultant expenses form part of the ongoing earnings from discontinued operations. There were no other measurement effects pursuant to IFRS 5 Subsection 18 immediately prior to the initial classification as 'held for sale'.

There was also no need for additional value adjustments pursuant to IFRS 5 Subsection 15, as the fair value less the costs to sell of the disposed business segment was higher than its carrying amount.

As a result, profit or loss for the period from discontinued operations after taxes is therefore made up as follows:

€ million	2016/17	**2017/18**
Sales	6,960	**6,803**
Expenses	–6,985	**–6,918**
Current earnings from discontinued operations before taxes	**–25**	**–115**
Income taxes on current earnings	–9	**5**
Current earnings from discontinued operations after taxes	**–34**	**–110**
Gains/losses from the remeasurement or disposal of discontinued operations before taxes	0	**0**
Income taxes on gains/losses from remeasurement or disposal	0	**0**
Gains/losses from the remeasurement or disposal of discontinued operations after taxes	**0**	**0**
Profit or loss for the period from discontinued operations after taxes	**–34**	**–110**

Profit or loss for the period from discontinued operations after taxes is attributable to the shareholders of METRO AG in the amount of €–110 million (2016/17: €–34 million). As in the previous year, non-controlling interests account for a profit share of €0 million.

In conjunction with the initiated disposal process, no considerable expenses have been incurred to date either in the continued or in the discontinued segment.

Other comprehensive income relating to the assets held for sale and liabilities amounts to –€1 million (2016/17: €3 million).

In METRO's cash flow statement, cash flows from operating, investing and financing activities are shown separately for discontinued operations. The previous year's figures in the cash flow statement were adjusted accordingly.

13. Profit or loss for the period attributable to non-controlling interests

Profit or loss for the period attributable to non-controlling interests is composed €5 million (2016/17: €20 million) shares in profit and €–1 million (2016/17: €0 million) shares in losses.

14. Earnings per share

	2016/17	2017/18
Weighted number of no-par-value shares	363,097,253	**363,097,253**
Profit or loss for the period attributable to the shareholders of METRO AG (€ million)	325	**344**
Earnings per share in € (basic = diluted)	**0.89**	**0.95**
from continuing operations	(0.99)	**(1.25)**
from discontinued operations	(–0.09)	**(–0.30)**

Earnings per share are determined by dividing profit or loss for the period attributable to the shareholders of METRO AG by the weighted number of no-par-value shares. In the calculation of earnings per ordinary share, an additional dividend for preference shares is generally deducted from profit or loss for the period attributable to the shareholders of METRO AG. There was no dilution in the reporting period or the year before from so-called potential shares.

Earnings per preference share correspond to earnings per share.

15. Depreciation/amortisation/impairment losses

Depreciations of €551 million (2016/17: €614 million) include impairments of €11 million (2016/17: €68 million). They relate mainly to property, plant and equipment with €10 million (2016/17: €46 million).

The attribution of depreciation/amortisation/impairment losses in the income statement and the affected asset categories is as follows:

2016/17

€ million	Goodwill	Other intangibleassets	Property, plant and equipment	Investment properties	Financial assets[1]	Total
Cost of sales	0	2	18	0	0	19
thereof depreciation/amortisation	(0)	(2)	(18)	(0)	(0)	(19)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	25	456	10	0	492
thereof depreciation/amortisation	(0)	(25)	(418)	(9)	(0)	(452)
thereof impairment	(0)	(0)	(38)	(2)	(0)	(40)
General administrative expenses	0	56	26	0	0	82
thereof depreciation/amortisation	(0)	(56)	(18)	(0)	(0)	(75)
thereof impairment	(0)	(0)	(8)	(0)	(0)	(8)
Other operating expenses	19	0	0	0	0	19
thereof impairment	(19)	(0)	(0)	(0)	(0)	(19)
Scheduled impairment losses and impairment before impairment of financial investments	**19**	**83**	**500**	**10**	**0**	**613**
Net financial result	0	0	0	0	1	1
thereof impairment	(0)	(0)	(0)	(0)	(1)	(1)
Scheduled depreciation/ amortisation/impairment losses	**19**	**83**	**500**	**10**	**1**	**614**
thereof depreciation/amortisation	(0)	(83)	(454)	(9)	(0)	(546)
thereof impairment	(19)	(0)	(46)	(2)	(1)	(68)

[1] Also comprise investments accounted for using the equity method.

2017/18

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets[1]	Total
Cost of sales	0	2	20	0	0	23
thereof depreciation/amortisation	(0)	(2)	(20)	(0)	(0)	(23)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	29	412	5	0	446
thereof depreciation/amortisation	(0)	(29)	(402)	(5)	(0)	(436)
thereof impairment	(0)	(0)	(10)	(0)	(0)	(10)
General administrative expenses	0	61	20	1	0	82
thereof depreciation/amortisation	(0)	(61)	(20)	(0)	(0)	(81)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(1)
Other operating expenses	0	0	0	0	0	0
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)
Scheduled impairment losses and impairment before impairment of financial investments	0	93	453	6	0	551
Net financial result	0	0	0	0	0	0
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)
Scheduled depreciation/ amortisation/impairment losses	0	93	453	6	0	551
thereof depreciation/amortisation	(0)	(93)	(443)	(5)	(0)	(540)
thereof impairment	(0)	(0)	(10)	(1)	(0)	(11)

[1] Also comprise investments accounted for using the equity method.

In accordance with IFRS 5, impairment losses of the hypermarket business are not included in the profit or loss from continuing operations and thus not included in the tables above. Instead, these impairment losses are included in the movement schedules on the development of financial assets up to the point of reclassification on 30 September 2018; for that reason, the amounts stated there may differ from those stated above.

16. Cost of materials

The cost of sales includes the following cost of materials:

€ million	2016/17	**2017/18**
Cost of raw materials, supplies and goods purchased	24,028	**23,734**
Cost of services purchased	54	**50**
	24,082	**23,784**

17. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2016/17	2017/18
Wages and salaries	2,363	**2,294**
Social security expenses, expenses for post-employment benefits and related employee benefits	590	**600**
thereof for post-employment benefits	(29)	**(43)**
	2,953	**2,894**

Wages and salaries include expenses relating to restructuring measures and severance payments of €20 million (2016/17: €31 million). Variable remuneration declined from €68 million in financial year 2016/17 to €52 million in financial year 2017/18. Wages and salaries also include expenses for long-term remuneration components totalling €18 million (2016/17: €29 million).

The discontinued operations incurred personnel expenses in the amount of €1,033 million (2016/17: €1,063 million).

Annual average number of group employees in the continued segment:

Number of employees by headcount	2016/17	2017/18
Blue collar/white collar	117,086	**115,008**
Apprentices/trainees	2,213	**2,070**
	119,299	**117,078**

This includes an absolute number of 17,270 (2016/17: 17,821) part-time employees. The number of employees working outside of Germany stood at 96,592 (2016/17: 98,557). This includes 95,434 blue- and white-collar employees (2016/17: 97,316). An additional 1,158 (2016/17: 1,241) apprentices were employed outside of Germany.

In addition, 34,280 blue- and white-collar employees (2016/17: 34,691) and 1,068 apprentices/trainees (2016/17: 1,092) were employed in the discontinued segment.

18. Other taxes

Other taxes (for example property tax, motor vehicle tax, excise tax and transaction tax) have the following effects on the income statement:

€ million	2016/17	2017/18
Other taxes	**93**	**91**
thereof from cost of sales	(1)	**(1)**
thereof from selling expenses	(69)	**(66)**
thereof from general administrative expenses	(24)	**(24)**

NOTES TO THE BALANCE SHEET

19. Goodwill

Goodwill amounts to €797 million (30/9/2017: €875 million).

In the Real segment, goodwill of €2 million respectively resulted from the acquisitions of Heim & Büro Versand GmbH as well as wfp2 GmbH & Co. KG. The Real segment is an essential part of the discontinued operations of the hypermarket business.

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

	30/9/2017		**30/9/2018**	
		WACC		**WACC**
	€ million	%	**€ million**	**%**
METRO Cash & Carry France	293	5.8	**293**	**5.7**
METRO Cash & Carry Germany	94	5.4	**94**	**5.7**
METRO Cash & Carry Poland	58	6.6	**58**	**6.3**
METRO Cash & Carry Spain/Portugal	54	7.5	**54**	**6.9**
METRO Cash & Carry Romania	40	7.1	**40**	**7.3**
METRO Cash & Carry Russia	43	7.0	**39**	**7.4**
METRO Cash & Carry Italy	38	7.0	**38**	**7.3**
Pro à Pro	34	5.8	**34**	**5.7**
METRO Cash & Carry Czech Republic	24	6.0	**24**	**6.4**
Classic Fine Foods	23	6.5	**23**	**6.0**
METRO Cash & Carry Turkey	33	8.6	**20**	**8.5**
METRO Cash & Carry China	19	6.5	**19**	**6.0**
METRO Cash & Carry Ukraine	17	11.0	**16**	**11.4**
METRO Cash & Carry Austria	12	5.7	**12**	**5.8**
METRO Cash & Carry Moldova	5	11.2	**5**	**11.4**
Real Germany	60	5.4	**0**	**5.7**
Others	28		**28**	
	875		**797**	

In accordance with IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment once a year. This is carried out at the level of a group of cash-generating units. Specifically, this refers to the sales line per country.

In the impairment test, the cumulative carrying amount of the group of cash-generating units is compared with the recoverable amount. The recoverable amount is defined as the fair value less costs to sell, which is calculated from discounted future cash flows and the level 3 input parameters of the fair value hierarchy.

— **The description of the fair value hierarchies is included in no. 41 – carrying amounts and fair values according to measurement categories.**

Expected future cash flows are based on a qualified planning process under consideration of intra-group experience as well as macroeconomic data collected by third-party sources. As a rule, the detailed planning period comprises 3 years. In individual cases, it may be extended by up to 2 years for units currently in a transformation process with a planning period of 5 years. As in the previous year, the growth rates considered at the end of the detailed planning period are generally 1.0%, with the exception of the group of the cash-generating unit Real Germany, for which a growth rate of 0.5% is assumed, as in the previous year. The capitalisation rate as the weighted average cost of capital (WACC) is determined using the capital asset pricing model. In the process, an individual peer group is assumed for all groups of cash-generating units operating in the same business segment. Capitalisation interest rates are determined on the assumption of a basic interest rate of 1.25% (30/9/2017: 1.25%) and a market risk premium of 7.00% (30/9/2017: 6.50%) in Germany as well as a beta factor of 1.03 (30/9/2017: 1.06). 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 5.7 to 11.4% (30/9/2017: 5.4% to 11.2%).

The mandatory annual impairment test carried out by METRO as of 30 September 2018 resulted in the following assumptions regarding the development of sales, EBIT and the EBIT margin targeted for valuation purposes during the detailed planning period, with the EBIT margin reflecting the ratio of EBIT to net sales.

	Sales	EBIT	EBIT margin	Detailed planning period (years)
METRO Cash & Carry France	Slight growth	Slight growth	Slight decline	3
METRO Cash & Carry Germany	Slight growth	Strong growth	Strong growth	5
METRO Cash & Carry Poland	Slight growth	Solid growth	Solid growth	3
METRO Cash & Carry Spain/Portugal	Slight growth	Strong growth	Strong growth	3
METRO Cash & Carry Russia	Slight growth	Slight decline	Slight decline	3
METRO Cash & Carry Romania	Substantial growth	Substantial growth	Slight growth	3
Classic Fine Foods	Substantial growth	Strong growth	Substantial growth	5
Pro à Pro	Substantial growth	Strong growth	Strong growth	5

As of 30 June 2018, the mandatory annual audit confirmed the impairment of all capitalised goodwill, with the exception of goodwill of €64 million allocated to Real Germany, which were completely depreciated due to the business development.

Impairment expenses were shown in the earnings from discontinued operations.

In addition to the impairment test, 3 sensitivity analyses were conducted for each group of cash-generating units. In the first sensitivity analysis, the interest rate for each group of cash-generating units was raised by 10.0%. The second sensitivity analysis was based on the assumption of a 1 percentage point lower growth rate. In the third sensitivity analysis, a lump sum discount of 10.0% was applied to the assumed perpetual EBIT. These changes did not result in significant impairment for any of the groups of cash-generating units with the exception of METRO Wholesale Germany and Classic Fine Foods.

In the goodwill impairment test at METRO Wholesale Germany, the fair value less costs to sell exceeded the carrying amount by €56 million. The corresponding amount for Classic Fine Foods was €20 million.

Assuming a 0.34 percentage point higher growth rate or a capitalisation rate of 6.05% (rather than 5.71%) or an assumed perpetual EBIT of €64.8 million (rather than €70.1 million), the fair value less costs to sell of METRO Wholesale Germany would correspond to the carrying amount. For Classic Fine Foods, a 0.49 percentage point higher capitalisation interest rate of 6.47% (rather than 5.98%) would result in a fair value less costs to sell equivalent to the carrying amount.

€ million	Goodwill
Acquisition or production costs	
As of 1/10/2016	880
Currency translation	–1
Additions to consolidation group	0
Additions	42
Disposals	0
Reclassifications in accordance with IFRS 5	0
Transfers	0
As of 30/9 – 1/10/2017	922
Currency translation	–21
Additions to consolidation group	0
Additions	4
Disposals	0
Reclassifications in accordance with IFRS 5	–64
Transfers	0
As of 30/9/2018	841
Depreciation	
As of 1/10/2016	28
Currency translation	–1
Additions, scheduled	0
Additions, impairment	19
Disposals	0
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9 – 1/10/2017	47
Currency translation	–3
Additions, scheduled	0
Additions, impairment	64
Disposals	0
Reclassifications in accordance with IFRS 5	–64
Reversals of impairment losses	0
Transfers	0
As of 30/9/2018	44
Carrying amount as of 1/10/2016	852
Carrying amount as of 30/9/2017	875
Carrying amount as of 30/9/2018	**797**

20. Other intangible assets

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
Acquisition or production costs		
As of 1/10/2016	1,659	(894)
Currency translation	–8	(–1)
Additions to consolidation group	32	(0)
Additions	118	(60)
Disposals	–19	(0)
Reclassifications in accordance with IFRS 5	–1	(0)
Transfers	0	(–1)
As of 30/9 – 1/10/2017	1,782	(952)
Currency translation	–2	(–1)
Additions to consolidation group	0	(0)
Additions	142	(67)
Disposals	–38	(–3)
Reclassifications in accordance with IFRS 5	–83	(–37)
Transfers	0	(–2)
As of 30/9/2018	1,801	(977)
Depreciation		
As of 1/10/2016	1,239	(744)
Currency translation	–2	(–1)
Additions, scheduled	89	(49)
Additions, impairment	0	(0)
Disposals	–17	(–1)
Reclassifications in accordance with IFRS 5	0	(0)
Reversals of impairment losses	0	(0)
Transfers	0	(0)
As of 30/9 – 1/10/2017	1,309	(792)
Currency translation	–3	(–1)
Additions, scheduled	98	(49)
Additions, impairment	0	(0)
Disposals	–38	(–3)
Reclassifications in accordance with IFRS 5	–64	(–21)
Reversals of impairment losses	0	(0)
Transfers	0	(0)
As of 30/9/2018	1,302	(817)
Carrying amount as of 1/10/2016	420	(150)
Carrying amount as of 30/9/2017	473	(160)
Carrying amount as of 30/9/2018	**499**	**(160)**

Other intangible assets have both limited useful lives and unlimited expected useful lives. Intangible assets with limited useful life are subject to depreciation/ amortisation. Intangible assets with an unlimited expected useful life are subjected to annual impairment tests. Assets with an indefinite useful life regard acquired brand rights. Their carrying amount totals to €96 million (30/9/2017: €95 million). The expected useful life of the trademark rights is indeterminable, because METRO can use them without restrictions and an abandonment of trademark rights is not envisaged in the future.

Additions totalling €142 million (2016/17: €118 million) concern internally generated software at €67 million (2016/17: €60 million), software purchased from third parties and still in development at €48 million (2016/17: €43 million) as well as concessions, rights and licences at €27 million (2016/17: €15 million).

The additions to depreciation/amortisation on other intangible assets in the amount of €98 million (2016/17: €89 million) are recognised in general administrative expenses at €61 million (2016/17: €56 million), in selling expenses at €35 million (2016/17: €31 million), in the cost of sales at €2 million (2016/17: €2 million).

As in the previous year, impairments were not considered in financial year 2017/18.

Research and development expenses recognised in expenses essentially concern internally generated software and amounted to €28 million (2016/17: €23 million).

As in the previous year, there are no material limits to the title or right to dispose of intangible assets. Purchasing obligations for intangible assets amounting to €0 million (30/9/2017: €0 million) were recorded. €0 million of this amount (30/9/2017: €0 million) relate to discontinued operations.

21. Property, plant and equipment

As of 30 September 2018, property, plant and equipment totalling €5,314 million (30/9/2017: €6,822 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 1/10/2016	9,248	4,818	177	14,243
Currency translation	–38	–52	–1	–90
Additions to consolidation group	34	25	2	61
Additions	125	189	256	571
Disposals	–229	–183	–13	–425
Reclassifications in accordance with IFRS 5	–3	–2	0	–5
Transfers	84	131	–226	–11
As of 30/9 – 1/10/2017	9,223	4,927	195	14,344
Currency translation	–138	–88	–5	–231
Additions to consolidation group	0	0	0	0
Additions	178	169	315	662
Disposals	–248	–238	–10	–496
Reclassifications in accordance with IFRS 5	–2,134	–1,157	–56	–3,346
Transfers	–53	315	–282	–19
As of 30/9/2018	6,828	3,928	158	10,914
Depreciation				
As of 1/10/2016	4,124	3,122	17	7,264
Currency translation	–24	–28	0	–51
Additions, scheduled	306	291	0	597
Additions, impairment	37	9	0	46
Disposals	–153	–168	–7	–327
Reclassifications in accordance with IFRS 5	0	–1	0	–1
Reversals of impairment losses	–2	–1	0	–3
Transfers	2	–3	0	–2
As of 30/9 – 1/10/2017	4,290	3,221	11	7,522
Currency translation	–39	–47	–1	–86
Additions, scheduled	287	302	0	589
Additions, impairment	22	11	1	34
Disposals	–153	–228	–1	–382
Reclassifications in accordance with IFRS 5	–1,259	–814	0	–2,073
Reversals of impairment losses	–3	0	0	–3
Transfers	–79	78	0	–1
As of 30/9/2018	3,066	2,524	10	5,600
Carrying amount as of 1/10/2016	5,124	1,695	160	6,979
Carrying amount as of 30/9/2017	4,932	1,705	184	6,822
Carrying amount as of 30/9/2018	**3,763**	**1,404**	**148**	**5,314**

The decline in property, plant and equipment of €1,508 million was mainly the result of reclassifications of property, plant and equipment to assets held for sale in conjunction with the disposal of the hypermarket business in the amount of €1,253 million. In addition, negative currency effects of €144 million (2016/17: €–39 million) and real estate disposals of €95 million (2016/17: €–77 million) resulted in a reduction in property, plant and equipment.

Impairments of €34 million (2016/17: €46 million) were recognised in the ongoing financial year. These primarily effect the hypermarket business for sale due to the negative sales and earnings development.

Restrictions on titles in the form of liens and encumbrances for items of property, plant and equipment amounted to €19 million, of which €7 million related to discontinued operations (30/9/2017: €22 million; of which discontinued operations: €10 million).

Contractual commitments for the acquisition of property, plant and equipment in the amount of €88 million were entered into, including €4 million for discontinued operations (30/9/2017: €128 million; of which discontinued operations: €3 million).

Leases

Assets available to METRO under the terms of finance leases were recognised at €468 million (30/9/2017: €825 million, of which €339 million relate to discontinued operations); they essentially relate to leased buildings.

Finance leases generally have terms of 15 to 25 years with options under expiration to extend them at least once for 5 years. The interest rates in the leases vary by market and date of signing between 1.91% and 6.56%.

In addition to finance leases, METRO also signed other types of leases classified as operating leases based on their economic value. Operating leases also essentially concern leased buildings and generally have an initial term of up to 15 years. The interest rates in the leases are based partly on variable and partly on fixed rents.

Payments due under finance and operating leases in subsequent periods are shown as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/9/2017			
Future lease payments due (nominal)	167	620	903
Discount	–10	–124	–424
Present value	157	495	480
of which discontinued operations	58	185	193
Operating leases 30/9/2017			
Future lease payments due (nominal)	633	2,039	2,701
of which discontinued operations	212	659	796

€ million	**Up to 1 year**	**1 to 5 years**	**Over 5 years**
Finance leases 30/9/2018			
Future lease payments due (nominal)	**126**	**373**	**517**
Discount	**–10**	**–88**	**–268**
Present value	**116**	**286**	**250**
Operating leases 30/9/2018			
Future lease payments due (nominal)	**623**	**2,097**	**2,611**
of which discontinued operations	**209**	**670**	**620**

Future payments due on finance leases contain purchase payments amounting to €13 million (30/9/2017: €19 million; of which discontinued operations: €0 million) required for the exercise of more favourable purchase options. The nominal value of future lease payments due to METRO from the subleasing of assets held under finance leases amounts to €150 million (30/9/2017: €245 million; of which discontinued operations: €69 million).

The nominal value of future lease payments due to METRO from the subleasing of assets held under operating leases amounts to €443 million, of which €80 million are attributable to discontinued operations (30/9/2017: €437 million; of which discontinued operations: €79 million).

Profit or loss for the period includes expenses from leases totalling €692 million (2016/17: €696 million). €204 million (2016/17: €212 million) of which apply to discontinued operations. Income from tenancy agreements totals €259 million (2016/17: €257 million), €49 million (2016/17: €48 million) of which apply to discontinued operations.

Contingent lease payments from finance leases recognised as expenses during the period amount to €1 million (2016/17: €4 million), €2 million (2016/17: €5 million) of which apply to discontinued operations. Contingent lease payments from operating leases recognised as expenses during the period amount to €11 million (2016/17: €12 million), €3 million (2016/17: €3 million) of which apply to discontinued operations.

Conditional lease payments are sales-dependent, use-based, price-indexed payments.

Lease payments due in subsequent periods from entities outside METRO for the rental of properties that are legally owned by METRO (METRO as lessor) are shown below:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2017			
Future lease payments due (nominal)	66	131	68
from discontinued operations	21	41	15

€ million	**Up to 1 year**	**1 to 5 years**	**Over 5 years**
Operating leases 30/9/2018			
Future lease payments due (nominal)	**46**	**107**	**61**
from discontinued operations	**17**	**30**	**9**

22. Investment properties

Investment properties are recognised at depreciated cost. They are reported at €97 million as of 30 September 2018 (30/9/2017: €126 million). The development of these properties is shown in the following table:

€ million	Investment properties
Acquisition or production costs	
As of 1/10/2016	488
Currency translation	1
Additions to consolidation group	0
Additions	2
Disposals	−75
Reclassifications in accordance with IFRS 5	0
Transfers associated with property, plant and equipment	11
As of 30/9 and 1/10/2017	426
Currency translation	−2
Additions to consolidation group	0
Additions	2
Disposals	−20
Reclassifications in accordance with IFRS 5	−128
Transfers associated with property, plant and equipment	19
As of 30/9/2018	297
Depreciation	
As of 1/10/2016	324
Currency translation	0
Additions, scheduled	9
Additions, impairment	2
Disposals	−36
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers associated with property, plant and equipment	1
As of 30/9 – 1/10/2017	300
Currency translation	0
Additions, scheduled	5
Additions, impairment	1
Disposals	−6
Reclassifications in accordance with IFRS 5	−98
Reversals of impairment losses	−2
Transfers associated with property, plant and equipment	1
As of 30/9/2018	200
Carrying amount as of 1/10/2016	163
Carrying amount as of 30/9/2017	126
Carrying amount as of 30/9/2018	**97**

The decline of €29 million was mainly the result of reclassifications from investment properties to assets held for sale in the amount of €30 million. Of this amount, €19 million are attributable to the reclassification of a single real estate property of METRO PROPERTIES in Germany and €11 million to reclassifications in relation to the disposal of the hypermarket business.

The fair values of these investment properties total €205 million (30/9/2017: €248 million). These values are determined on the basis of internationally recognised measurement methods, particularly the comparable valuation method and the discounted cash flow method (level 3 of the 3-level valuation hierarchy of IFRS 13 (Fair Value Measures)). This measurement is based on a detailed planning period of 10 years. Aside from market rents, market-based discount rates were used as key valuation parameters. The discount rates are determined on the basis of analyses of relevant real estate markets as well as evaluations of comparable transactions and market publications issued by international consulting firms. The resulting discount rates reflect the respective country and location risk as well as the property-specific real estate risk. In addition, project developments are considered to determine the best use.

The fair value is usually assessed by METRO PROPERTIES employees. External expert reports are used where available.

Rental income from continuing operations amounts to €20 million, with finance leases accounting for €7 million of this total (2016/17: €22 million, thereof €8 million from finance leases). The related expenses amount to €12 million, with finance leases accounting for €4 million (2016/17: €15 million, thereof €6 million from finance leases). Expenses of €0 million were incurred for properties without rental income, €0 million of which are attributable to finance leases (2016/17: €0 million, thereof €0 million from finance leases).

Restrictions on titles in the form of liens and encumbrances amounted to €0 million (30/9/2017: €0 million). As in the previous year, no contractual commitments for the acquisition of investment properties were made.

23. Financial investments and investments accounted for using the equity method

€ million	Loans	Investments	Securities	Total financial assets
Acquisition or production costs				
As of 1/10/2016	45	25	26	96
Currency translation	–1	0	0	–1
Additions to consolidation group	0	0	0	0
Additions	8	27	0	36
Disposals	–4	–2	–14	–19
Reclassifications in accordance with IFRS 5	0	0	0	0
Transfers	–2	0	–3	–5
As of 30/9 – 1/10/2017	47	51	9	107
Currency translation	–1	0	0	–1
Additions to consolidation group	0	0	0	0
Additions	6	19	0	26
Disposals	–3	–2	0	–4
Reclassifications in accordance with IFRS 5	–13	–17	0	–31
Transfers	–1	0	0	–1
As of 30/9/2018	36	51	9	95
Depreciation				
As of 1/10/2016	4	4	0	7
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, impairment	1	8	0	9
Disposals	0	0	0	0
Reclassifications in accordance with IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	–1	0	0	–1
As of 30/9 – 1/10/2017	4	12	0	15
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, impairment	0	0	0	0
Disposals	0	–1	0	–1
Reclassifications in accordance with IFRS 5	0	–8	0	–8
Reversals of impairment losses	0	0	0	0
Transfers	1	0	0	1
As of 30/9/2018	4	3	0	7
Carrying amount as of 1/10/2016	41	22	26	89
Carrying amount as of 30/9/2017	43	39	9	92
Carrying amount as of 30/9/2018	**31**	**48**	**9**	**88**

€ million	Investments accounted for using the equity method
Acquisition or production costs	
As of 1/10/2016	185
Currency translation	0
Additions to consolidation group	0
Additions	9
Disposals	–12
Reclassifications in accordance with IFRS 5	0
Transfers	2
As of 30/9 – 1/10/2017	184
Currency translation	–8
Additions to consolidation group	0
Additions	9
Disposals	–6
Reclassifications in accordance with IFRS 5	0
Transfers	0
As of 30/9/2018	179
Depreciation	
As of 1/10/2016	2
Currency translation	0
Additions, scheduled	0
Additions, impairment	0
Disposals	–1
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9 – 1/10/2017	1
Currency translation	0
Additions, scheduled	0
Additions, impairment	0
Disposals	0
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9/2018	1
Carrying amount as of 1/10/2016	183
Carrying amount as of 30/9/2017	183
Carrying amount as of 30/9/2018	**178**

Disclosures about the major investments accounted for using the equity method can be found in the following table.

Apart from Habib METRO Pakistan (closing date 30 June), all companies mentioned above have 31 December as the closing date. The companies are included in the consolidated financial statements of METRO AG with their most recent available financial statements.

€ million	Habib METRO Pakistan 2016/17	Habib METRO Pakistan 2017/18	OPCI FWP 2016/17	OPCI FWP 2017/18	OPCI FWS 2016/17	OPCI FWS 2017/18	Mayfair group[1] 2016/17	Mayfair group[1] 2017/18	Miscellaneous 2016/17	Miscellaneous 2017/18	Total 2016/17	Total 2017/18
Disclosures about the income statement												
Sales revenues	14	**12**	24	**23**	23	**23**	8	**14**	60	**127**	129	**199**
Tax profit for the period from continuing operations	7	**6**	16	**15**	13	**15**	4	**8**	7	**63**	47	**107**
Tax profit from discontinued operations	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**
Other comprehensive income	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**
Total comprehensive income	7	**6**	16	**15**	13	**15**	4	**8**	7	**63**	47	**107**
Dividend payments to the group	1	**2**	1	**1**	4	**3**	0	**0**	2	**1**	8	**7**
Notes to the balance sheet												
Non-current assets	55	**47**	275	**287**	264	**270**	195	**190**	–	**–**	–	**–**
Current assets	23	**22**	4	**4**	2	**5**	6	**8**	–	**–**	–	**–**
Non-current liabilities	3	**2**	103	**116**	100	**110**	0	**0**	–	**–**	–	**–**
Current liabilities	3	**2**	0	**0**	0	**0**	5	**8**	–	**–**	–	**–**
Net assets	72	**64**	176	**175**	166	**164**	196	**190**	–	**–**	–	**–**
Amount of the share (in %)	**40**	**40**	**5**	**5**	**25**	**25**	**40**	**40**	**–**	**–**	**–**	**–**
Share of the group in the net assets	30	**26**	9	**9**	42	**41**	78	**75**	–	**–**	–	**–**
Adjustment of asset values	18	**15**	–	**–**	–1	**–**	–	**–**	–	**–**	–	**–**
Carrying amount of the share in the group	**48**	**41**	**9**	**9**	**41**	**41**	**78**	**75**	**7**	**12**	**183**	**178**

[1] The Mayfair group comprises 10 real estate companies.

METRO's representation on the supervisory board of OPCI FRENCH WHOLESALE PROPERTIES – FWP ensures that significant influence is maintained and that the holding will be accounted for using the equity method although the share only amounts to 5%.

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

24. Other financial and other non-financial assets

€ million	30/9/2017 Total	30/9/2017 Remaining term up to 1 year	30/9/2017 Remaining term over 1 year	**30/9/2018 Total**	**30/9/2018 Remaining term up to 1 year**	**30/9/2018 Remaining term over 1 year**
Receivables due from suppliers	504	504	0	**328**	**327**	**1**
Miscellaneous financial assets	371	328	43	**271**	**233**	**38**
Other financial assets	**875**	**832**	**43**	**600**	**561**	**39**
Other tax receivables	287	287	0	**237**	**237**	**0**
Prepaid expenses and deferred charges	243	73	170	**226**	**68**	**158**
Miscellaneous non-financial assets	26	22	4	**53**	**48**	**5**
Other non-financial assets	**556**	**382**	**174**	**515**	**353**	**163**

Receivables due from suppliers comprise both invoiced and deferred income for subsequent supplier compensation (for example bonuses, advertising subsidies) and creditors with debit balances.

The miscellaneous financial assets primarily include credit card receivables, receivables and other assets in the real estate area, receivables from finance leases and receivables from other financial transactions.

The previous year's figures for other financial assets include €234 million attributable to assets held for sale in connection with the disposal of the hypermarket business.

Other entitlements to tax refunds include value added tax refunds, not yet clearable input tax and other entitlements to tax refunds.

Prepaid expenses and deferred charges include deferred rental, leasing and interest prepayments as well as miscellaneous deferments.

Miscellaneous non-financial assets particularly include prepayments made on property, plant and equipment and inventories.

The decrease of other assets is predominantly attributable to the assets of the hypermarket business, which were still included in the previous year's figure.

25. Deferred tax assets/deferred tax liabilities

Deferred tax assets on tax loss carry-forwards and temporary differences amount to €750 million before netting (30/9/2017: €992 million), a decline of €242 million compared with 30 September 2017. The carrying amounts of deferred tax liabilities increased by €170 million to €484 million compared with the previous year (30/9/2017: €654 million). The previous year's figures include €216 million in deferred tax assets and €152 million in deferred tax liabilities from the hypermarket business, which were reclassified to assets held for sale and liabilities in the reporting year.

Deferred taxes relate to the following balance sheet items:

	30/9/2017		**30/9/2018**	
€ million	Assets	Liabilities	**Assets**	**Liabilities**
Goodwill	44	46	**27**	**29**
Other intangible assets	55	91	**17**	**86**
Property, plant and equipment and investment properties	110	410	**90**	**266**
Financial investments and investments accounted for using the equity method	16	12	**10**	**8**
Inventories	33	4	**26**	**5**
Other financial and non-financial assets	35	30	**82**	**29**
Assets held for sale	0	0	**1**	**8**
Provisions for post-employment benefits plans and similar obligations	116	39	**95**	**36**
Other provisions	56	1	**38**	**0**
Financial liabilities	336	2	**192**	**5**
Other financial and non-financial liabilities	95	18	**57**	**13**
Liabilities related to assets held for sale	0	0	**0**	**0**
Outside basis differences	0	0	**0**	**0**
Write-downs of temporary differences	–65	0	**–22**	**0**
Loss carry-forwards	160	0	**136**	**0**
Carrying amount of deferred taxes before offsetting	**992**	**654**	**750**	**484**
Offset	–554	–554	**–384**	**–384**
Carrying amount of deferred taxes	**439**	**100**	**365**	**100**

Of the deferred tax assets shown, €130 million (30/9/2017: €239 million) are attributable to the group of incorporated companies of METRO AG. The additional deferred tax assets of €135 million (30/9/2017: €100 million) are attributable to various companies abroad. Based on business planning, realisation of these tax assets is to be considered sufficiently likely.

In accordance with IAS 12 (Income Taxes), deferred tax liabilities relating to differences between the carrying amount of a subsidiary's pro rata equity in the balance sheet and the carrying amount of the investment for this subsidiary in the parent company's tax statement must be recognised (so-called outside basis differences) if the tax benefit is likely to be realised in the future. The differences can primarily be attributed to retained earnings of subsidiaries in Germany and abroad. No deferred taxes were recognised for these retained earnings as they will be reinvested over an indefinite period of time or are not subject to relevant taxation. Any dividends paid by subsidiaries would be subject to dividend tax. In addition, foreign dividends may trigger a withholding tax. As of 30 September 2018, no deferred tax liabilities from outside basis differences were recognised for planned dividend payments (30/9/2017: €0 million). The sum of the amount of temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognised was not determined as this would have been disproportionately expensive due to the level of detail of the METRO group.

No deferred tax assets were capitalised for the following tax loss carry-forwards and interest carry-forwards or temporary differences because realisation of the assets in the short to medium term is not expected:

€ million	30/9/2017	**30/9/2018**
Corporation tax losses	4,794	**4,320**
Trade tax losses	3,626	**3,296**
Interest carry-forwards	43	**57**
Temporary differences	251	**104**

The loss carry-forwards as of the closing date predominantly concern the German consolidation group. They can be carried forward without limitation.

TAX EFFECTS ON COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2016/17			**2017/18**		
€ million	Before taxes	Taxes	After taxes	**Before taxes**	**Taxes**	**After taxes**
Currency translation differences from translating the financial statements of foreign operations	−36	0	−36	**−190**	**0**	**−190**
thereof currency translation differences from net investments in foreign operations	(−60)	(0)	(−60)	**(3)**	**(0)**	**(3)**
Effective portion of gains/losses from cash flow hedges	−3	0	−3	**2**	**0**	**2**
Gains/losses from the revaluation of financial instruments in the category 'available for sale'	0	0	0	**9**	**0**	**9**
Remeasurement of defined benefit pension plans	76	−21	55	**17**	**−6**	**11**
Other changes	0	0	0	**0**	**0**	**0**
Remaining income tax on other comprehensive income	0	2	2	**0**	**4**	**4**
	38	**−20**	**18**	**−162**	**−2**	**−164**

Deferred taxes on components of the other results primarily apply to the remeasurement of defined benefit pension plans. The other components are not tax effective.

26. Inventories

€ million	30/9/2017	**30/9/2018**
Food merchandise	1,975	**1,517**
Non-food merchandise	1,071	**591**
	3,046	**2,108**

Inventories declined by €938 million from €3,046 million to €2,108 million.

The previous year's figures include €765 million attributable to the hypermarket business to be disposed of. Negative currency effects mainly resulting from the development of the Turkish lira (€−34 million), the Russian rouble (€−31 million) and the Indian rupee (€−4 million) reduced the inventory by a further €76 million.

Inventories include impairments in the amount of €70 million (30/9/2017: €102 million; this includes €35 million from the hypermarket business to be disposed of). The inventories are subject to the customary or statutory retention of title.

27. Trade receivables

Trade receivables declined by €4 million, from €575 million to €571 million. These are receivables with a remaining term of up to 1 year.

The previous year's figures include €21 million attributable to the hypermarket business to be disposed of.

Currency effects have reduced trade receivables by a further €14 million.

The METRO Wholesale Asia segment reported an increase after currency effects of €19 million, which is essentially attributable to extended payment terms together with higher sales volumes in China.

The delivery sales of the METRO Wholesale Eastern Europe segment also picked up, in particular in Turkey, and contributed a further €11 million.

28. 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 1/10/2016	109	(4)	(105)
Currency translation	–2	(0)	(–2)
Additions	45	(1)	(44)
Reversal	–17	(0)	(–17)
Reclassifications in accordance with IFRS 5	–1	(0)	(–1)
Utilisation	–17	(0)	(–17)
Transfers	–1	(0)	(–1)
As of 30/9 – 1/10/2017	117	(4)	(113)
Currency translation	–5	(0)	(–5)
Additions	40	(0)	(40)
Reversal	–19	(0)	(–18)
Reclassifications in accordance with IFRS 5	–5	(0)	(–5)
Utilisation	–29	(0)	(–29)
Transfers	1	(1)	(0)
As of 30/9/2018	**100**	**(5)**	**(95)**

In the category 'loans and receivables', which particularly includes loans, trade receivables, receivables from suppliers as well as receivables and other assets in the real estate area, negative earnings effects from impairment losses amount to €18 million (2016/17: €26 million). This also includes earnings from the receipt of cash from receivables that had already been derecognised in anticipation of irrevocability of €1 million (2016/17: €0 million).

In accordance with IFRS 5, impairments of the hypermarket business are not included in the profit or loss from continuing operations. Instead, these impairments are included in the movement schedules on the development of impairments of capitalised financial instruments up to the point of reclassification on 30 September 2018; for this reason, the amounts stated in the table above may differ from those stated below the table.

The current financial year includes reclassifications of impairment losses on assets held for sale in the amount of €5 million (2016/17: €1 million).

As in the previous year, no earnings effects existed in the category 'held to maturity' or from receivables from finance leases (carrying value according to IAS 17).

In principle, impairment losses on capitalised financial instruments are posted to an adjustment account. They reduce the carrying amount of financial assets.

29. Maturities and impairment losses of capitalised financial instruments

Capitalised financial instruments had the following maturities and impairment losses as of the closing date:

€ million	Total carrying amount 30/9/2017	thereof not past-due, not impaired	thereof past-due, no specific allowances for impairment losses: Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 270 days	Due for 271 to 360 days	Due for more than 360 days
Assets							
in the category 'loans and receivables'	1,466	1,166	89	10	4	1	4
thereof loans and advance credit granted	(46)	(45)	(0)	(0)	(0)	(0)	(0)
thereof other current receivables	(1,421)	(1,121)	(89)	(10)	(4)	(1)	(4)
in the category 'held to maturity'	0	0	0	0	0	0	0
in the category 'held for trading'	4	0	0	0	0	0	0
in the category 'available for sale'	41	1	0	0	0	0	0
	1,511	**1,168**	**89**	**10**	**4**	**1**	**4**

€ million	**Total carrying amount 30/9/2018**	**thereof not past-due, not impaired**	**thereof past-due, no specific allowances for impairment losses: Due within the last 90 days**	**Due for 91 to 180 days**	**Due for 181 to 270 days**	**Due for 271 to 360 days**	**Due for more than 360 days**
Assets							
in the category 'loans and receivables'	**1,170**	**928**	**78**	**8**	**1**	**1**	**4**
thereof loans and advance credit granted	**(33)**	**(33)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
thereof other current receivables	**(1,138)**	**(895)**	**(78)**	**(8)**	**(1)**	**(1)**	**(4)**
in the category 'held to maturity'	**0**	**0**	**0**	**0**	**0**	**0**	**0**
in the category 'held for trading'	**7**	**0**	**0**	**0**	**0**	**0**	**0**
in the category 'available for sale'	**49**	**1**	**0**	**0**	**0**	**0**	**0**
	1,227	**929**	**78**	**8**	**1**	**1**	**4**

Loans and receivables due within the last 90 days largely result from standard business payment transactions with immediate or short-term payment terms. For loans and receivables more than 90 days past-due that are not subject to specific allowances, there is no indication as of the closing date at which debtors will not fulfil their payment obligations. For capitalised financial instruments which are not past- due and which are not subject to specific allowances, there is no indication based on the debtor's creditworthiness that would require an impairment.

30. Cash and cash equivalents

€ million	30/9/2017	30/9/2018
Cheques and cash on hand	61	**31**
Bank deposits and other financial assets with short-term liquidity	1,498	**1,267**
	1,559	**1,298**

The previous year's figures include €95 million attributable to the hypermarket business to be disposed of.

Of the cash and cash equivalents, €0 million (30/9/2017: €33 million) are subject to restrictions on title.

— **For more information, see the cash flow statement and no. 42 – notes to the cash flow statement.**

31. Assets held for sale/liabilities related to assets held for sale

Disposal of the hypermarket business

For several years, METRO has increased its focus on its wholesale business. It intends to intensify this strategy in the future. In consideration of this, the Management Board of METRO AG decided in its meeting on 13 September 2018 to sell the hypermarket business including 80 real estate properties that are being used for this purpose. Most of these are the property of Real. The transaction is proposed to take place in financial year 2018/19.

The hypermarket business consists of 279 stores of the Real segment and their subsidiaries, most of which render procurement and online services for the Real segment.

With the exception of 18 real estate companies and individual properties and a supplier, which are currently included in the Others segment, all assets and liabilities affected by the resolution form part of the Real segment. In accordance with IFRS 5, they are collectively treated as a discontinued business segment from 30 September 2018 onwards and will be treated as such until their deconsolidation or disposal.

As a result of this classification, the consolidation of all intra-group assets and liabilities in the consolidated balance sheet as of 30 September 2018 was followed by the reclassification of €2,580 million to item assets held for sale and €1,691 million to item liabilities related to assets held for sale. The respective asset and liability items to be consolidated were recognised in the corresponding balance sheet items of both the continued and the discontinued segment. As of the end of the financial year, the assets held for sale and the liabilities of the hypermarket business to be disposed of can be broken down as follows:

€ million	
Assets	
Other intangible assets	**19**
Property, plant and equipment	**1,253**
Investment properties	**11**
Financial assets (non-current)	**23**
Other financial assets (non-current)	**2**
Other non-financial assets (non-current)	**4**
Deferred tax assets	**70**
Inventories	**747**
Trade receivables	**30**
Financial assets (current)	**1**
Other financial assets (current)	**280**
Other non-financial assets (current)	**43**
Cash and cash equivalents	**97**
	2,580
Liabilities	
Provisions for post-employment benefits plans and similar obligations	**42**
Other provisions	**34**
Financial liabilities (non-current)	**498**
Other financial liabilities (non-current)	**1**
Other non-financial liabilities (non-current)	**47**
Trade liabilities	**741**
Provisions (current)	**93**
Financial liabilities (current)	**60**
Other financial liabilities (current)	**146**
Other non-financial liabilities (current)	**28**
	1,691

The effects of the other comprehensive income from assets held for sale and liabilities included in METRO's equity include an amount of €9 million for components without future income effect, as well as €0 million for components with a potential income effect.

Sale of MIDBAN ESOLUTIONS S.L.

Based on a decision of the Management Board of METRO AG on 28 September 2017, METRO has sold all shares in MIDBAN ESOLUTIONS S.L. (Midban), Barcelona, Spain, to its founding shareholders as part of the exercise of a tender right and with effect on 8 November 2017. The assets held for sale by Midban in relation to the subsequent measurement of the disposal group pursuant to IFRS 5 increased from €11 million to €12 million between 30 September 2017 and the date of deconsolidation of the company. The liabilities related to assets held for sale remain constant at €15 million until their consolidation.

In consideration of the subsequent measurement of all risks relating to the disposal of Midban, the debt consolidation resulted in EBIT-effective earnings of €0 million. The effect of the transaction on the financial result and the income tax result was €0 million. Other comprehensive income was also unaffected by the deconsolidation.

Real estate

The value of individual real estate properties held for sale changed from €0 million to €26 million during financial year 2017/18. This is comprised of €5 million attributable to assets reclassified from fixed assets and €21 million attributable to assets reclassified from investment properties.

32. Equity

The subscribed capital of METRO AG amounts to €363,097,253. It is divided as follows:

No-par-value bearer shares, accounting par value of €1.00		30/9/2017	**30/9/2018**
Ordinary shares	Number of shares	360,121,736	**360,121,736**
	€	360,121,736	**360,121,736**
Preference shares	Number of shares	2,975,517	**2,975,517**
	€	2,975,517	**2,975,517**
Total shares	**Number of shares**	**363,097,253**	**363,097,253**
Total share capital	**€**	**363,097,253**	**363,097,253**

As of 30 September 2017 and as of 30 September 2018, the subscribed capital of METRO AG amounted to €363,097,253. It is divided into a total of 360,121,736 no-par-value bearer ordinary shares (pro rata value of the share capital: €360,121,736, approximately 99.18%), as well as 2,975,517 preference no-par-value bearer preference shares (pro rata value of the share capital: €2,975,517, approximately 0.82%). Each no-par share in the company has a notional interest of €1.00 in the share capital.

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

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

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

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

(4) The holders of non-voting preference shares and those holding ordinary shares will equally share in any additional profit distribution in the proportion corresponding to the number of shares held by them in the share capital.'

Authorised capital

The Annual General Meeting on 16 February 2018 authorised the Management Board to increase the share capital, subject to the consent of the Supervisory Board, by issuing new ordinary bearer shares against cash or non-cash contributions in one or several tranches for a total maximum of €181,000,000 by 28 February 2022 (authorised capital). The Management Board is, subject to the consent of the Supervisory Board, authorised to exclude shareholder subscription rights in certain cases. To date, the authorised capital has not been fully utilised.

Contingent capital
The Annual General Meeting held on 16 February 2018 resolved a contingent increase in the share capital by up to €50,000,000, divided into a maximum of 50,000,000 ordinary bearer shares (contingent capital). This contingent capital increase is related to the establishment of an authority of the Management Board to issue, subject to the consent of the Supervisory Board, one or several tranches of warrant or convertible bearer bonds (collectively 'bonds') with an aggregate par value of €1,500,000,000 prior to 15 February 2023, and to grant the holders of warrant or convertible bearer bonds warrant or conversion rights or to impose warrant or conversion obligations upon them for ordinary bearer shares in METRO AG representing up to €50,000,000 of the share capital in accordance with the terms of the warrant or convertible bearer bonds, or to provide for the company's right to deliver ordinary shares in the company as full or partial payment in lieu of a cash redemption of the bonds. The Management Board is, subject to the consent of the Supervisory Board, authorised to exclude shareholder subscription rights in certain cases. To date, no warrant and/or convertible bearer bonds have been issued under the aforementioned authority.

Repurchase of own shares
On the basis of § 71 Section 1 No. 8 of the German Stock Corporation Act, the Annual General Meeting on 11 April 2017 authorised the company to acquire own shares of any share class representing a maximum of 10% of the share capital issued at the time the authority became effective, or – if this figure is lower – at the time the authority is exercised. The authority expires on 28 February 2022. To date, neither the company nor any company controlled or majority-owned by it, any other company acting on behalf of the company or of any company controlled or majority-owned by that company has exercised this authority.

— **For more information on the company's authorised capital, contingent capital, the authority to issue warrant and/or convertible bearer bonds as well as share repurchasing, see chapter 7 – takeover-related disclosures in the combined management report.**

Capital reserve and reserves retained from earnings
Prior to the effective date of the reclassification and demerger of CECONOMY AG on 12 July 2017, METRO AG was not yet a group within the meaning of IFRS 10. Accordingly, combined financial statements of METRO Wholesale & Food Specialist GROUP (hereinafter: MWFS GROUP) were prepared for the IPO prospectus of METRO AG. Equity in the combined financial statements was the residual amount from the combined assets and liabilities of MWFS GROUP. Following the demerger, METRO became an independent group with METRO AG as the listed parent company. Therefore, the equity in the consolidated financial statements is subdivided according to legal requirements. The subscribed capital of €363 million and the capital reserve of €6,118 million were recognised at the carrying amounts from the annual financial statements of METRO AG as of 30 September 2017. For this purpose, a reclassification was made from the equity item net assets, recognised as of 1 October 2016, attributable to the former METRO GROUP of the combined financial statements of MWFS GROUP. The remaining negative amount of this equity item was reclassified to reserves retained from earnings. It cannot be traced back to a history of loss.

Reserves retained from earnings can be broken down as follows:

€ million	30/9/2017	**30/9/2018**
Effective portion of gains/losses from cash flow hedges	–2[1]	**0**
Gains/losses from the revaluation of financial instruments in the category 'available for sale'	0	**9**
Currency translation differences from translating the financial statements of foreign operations	–549	**–738**
Remeasurement of defined benefit pension plans	–427	**–410**
Income tax on components of other comprehensive income	92[1]	**91**
Other reserves retained from earnings	–2,434[1]	**–2,344**
	–3,320	**–3,392**

[1] Reclassification within retained earnings.

Changes in the financial instruments presented above consist of the following components:

€ million	2016/17	**2017/18**
Initial or subsequent measurement of derivative financial instruments	–5	**9**
Derecognition of cash flow hedges	2	**–7**
thereof in inventories	(0)	**(0)**
thereof in net financial result	(2)	**(–7)**
Effective portion of gains/losses from cash flow hedges	**–3**	**2**
Gains/losses from the revaluation of financial instruments in the category 'available for sale'	0	**9**
	–2	**11**

Gains/losses from the revaluation of financial instruments in the category 'available for sale' mainly concern the subsequent measurement of investments. In addition, currency translation differences changed by €–189 million (2016/17: €–36 million). They can be broken down as follows:

The translation of the local balance sheets to the group currency resulted in a change of €–185 million in equity outside of profit or loss. In addition, the effective derecognition of cumulative currency differences of companies that were deconsolidated or discontinued operation within financial year 2017/18 had an effect of €–4 million.

The remeasurement of defined benefit pension plans resulted in effects outside of profit or loss before deferred taxes in the amount of €17 million.

— **An overview of the tax effects on components of other comprehensive income can be found under no. 25 – deferred tax assets/deferred taxliabilities.**

Other reserves retained from earnings increased by €90 million from €–2,434 million to €–2,344 million. This increase was primarily influenced by the profit for the period attributable to the shareholders of METRO AG of €344 million. Dividend payments for financial year 2016/17 in the amount of €254 million had an opposite effect.

Non-controlling interests

Non-controlling interests comprise the shares held by third parties in the share capital of the consolidated subsidiaries. They amounted to €41 million at the end of financial year 2017/18 (30/9/2017: €46 million).

— **An overview of subsidiaries with major non-controlling interests is published in the notes to the group accounting principles and methods.**

Appropriation of the balance sheet profit, dividend

Dividend distribution of METRO AG is based on the METRO AG Annual Financial Statements prepared under German commercial law.

Regarding the appropriation of the balance sheet profit for 2017/18, the Management Board of METRO AG will propose to the Annual General Meeting that a dividend in the amount of €0.70 per ordinary share and €0.70 per preference share – that is, a total of €254 million – be distributed from the reported balance sheet profit of €283 million and to carry forward the remaining amount to the new account.

33. Provisions for post-employment benefits plans and similar obligations

€ million	30/9/2017	**30/9/2018**
Provisions for post-employment benefits plans (employer's commitments)	383	**344**
Provisions for indirect commitments	34	**12**
Provisions for voluntary pension benefits	0	**0**
Provisions for company pension plans	87	**71**
Provisions for obligations similar to pensions	52	**41**
	557	**468**

Provisions for post-employment benefits plans are recognised in accordance with IAS 19 (employee benefits).

Provisions for post-employment benefits plans consist of commitments primarily related to benefits defined by the provisions of company pension plans. These take the form of defined benefit plans directly from the employer (employer's commitments) and defined benefit plans from external providers (benevolent funds in Germany and international pension funds). The external providers' assets serve exclusively to finance the pension entitlements and qualify as plan assets. The benefits under the different plans are based on performance and length of service.

The most important performance-based pension plans are described in the following.

Germany
METRO grants many employees in Germany retirement, disability and surviving dependant's benefits. New commitments are granted in the form of 'defined benefit' commitments within the meaning of IAS 19 (contribution-oriented commitments pursuant to German company pension law), which comprise a payment contribution component and an employer-matching component. Contributions are paid to a pension reinsurance from which benefits are paid out when the insured event occurs. A provision is recognised for entitlements not covered by reinsurance.

In addition, various pension funds exist that are closed for new contributions. In general, these provide for lifelong pensions starting with the start of retirement or recognised invalidity. Benefits are largely defined as fixed payments or on the basis of set annual increases. In special cases, benefits are calculated in consideration of accrued statutory pension entitlements. The commitments provide for a widow's or widower's pension of varying size, depending on the benefits the former employee received or would have received in the case of invalidity. Legacy commitments are partially covered by assets held in benevolent funds. Provisions are recognised for those commitments not covered. The benevolent funds' decision-making bodies (management board and general assembly of members) comprise both employer and employee representatives. The respective member of the management board decides on the deployment of funds and financial investments. It may commission third parties to manage fund assets. No statutory minimum endowment obligations exist. Insofar as pledged benefits cannot be paid out of the benevolent fund assets, the employer is obliged to directly assume these payments.

There are also deferred compensation contracts with the Hamburger Pensionskasse (Hamburg pension fund).

Netherlands
A defined benefit pension plan exists in the Netherlands which provides for pension payments in addition to invalidity and death benefits. The amount of the benefits depends on the pensionable salary per year of service. Benefits are funded through a pension fund whose decision-making bodies (management board, as well as administration, finance and investment committee) include employer and employee representatives. The fund's executive committee is responsible for asset management. The pension fund's investment committee exists for this purpose. In line with statutory minimum funding requirements, the pension fund's executive committee must ensure that commitments are covered by assets at all times. In case of underfunding, the pension fund's executive committee may take different measures to compensate for deficient cover. These measures include the requirement for additional contributions by the employer and curtailments in employee benefits.

United Kingdom
In July 2012, the former METRO GROUP sold its cash-and-carry business in the United Kingdom to Booker Group PLC. Pension commitments were not part of the sale. Since the date of the sale, only vested benefits and current pensions from service years at the former METRO GROUP have existed. In accordance with legal stipulations, the vested interests must be adjusted for inflation effects. The commitments are covered by assets which are managed and invested by a corporate trustee. A major share of these commitments was fully funded through a buy-in. The executive committee of this corporate trustee consists of employer and employee representatives. In any case, the trustee must ensure that benefits can be paid at all times in the future. This is regulated on the basis of statutory minimum financing requirements. In case of underfunding, the trustee may require additional employer contributions to close the funding gap.

Belgium
There are both retirement pensions and capital commitments; the amount depends on the pensionable length of service and pensionable income. In addition, groups of employees are granted interim allowances. In principle, benefits are funded through group insurance contracts that are subject to Belgian regulatory law.

Additional retirement plans are shown cumulatively under other countries.

The following table provides an overview of the present value of defined benefit obligations by METRO countries as well as material obligations:

%	30/9/2017	**30/9/2018**
Germany	31	**30**
Netherlands	36	**37**
United Kingdom	17	**17**
Belgium	8	**7**
Other countries	8	**9**
	100	**100**

The plan assets of METRO are distributed proportionally to the following countries:

%	30/9/2017	**30/9/2018**
Germany	8	**8**
Netherlands	60	**62**
United Kingdom	25	**22**
Belgium	6	**5**
Other countries	1	**3**
	100	**100**

The above commitments are valued on the basis of actuarial calculations in accordance with IAS 19. The basis for the valuation are the legal, economic and tax circumstances prevailing in each country.

The following average assumptions regarding the material parameters were used in the actuarial valuation:

	30/9/2017					**30/9/2018**				
%	Germany	Netherlands	United Kingdom	Belgium	Other countries	**Germany**	**Netherlands**	**United Kingdom**	**Belgium**	**Other countries**
Actuarial interest rate	2.10	2.30	2.60	2.10	2.35	**2.20**	**2.40**	**2.70**	**2.20**	**2.53**
Inflation rate	1.50	0.90	2.40	2.00	0.04	**1.50**	**0.90**	**2.40**	**2.00**	**0.04**

As in previous years, METRO used generally recognised methods to determine the actuarial rate of interest. With these, the respective actuarial rate of interest based on the yield of investment grade corporate bonds is determined as of the closing date taking account of the currency and maturity of the underlying obligations. The actuarial rate of interest for the Eurozone and the UK is based on the results of a method applied in a uniform manner across the group. The interest rate for this is set on the basis of the returns of high-quality corporate bonds and the duration of commitments. In countries without a liquid market of suitable corporate bonds, the actuarial interest rate was determined on the basis of government bond yields.

Aside from the actuarial interest rate, the inflation rate represents another key actuarial parameter. In the process, the nominal rate of wage and salary increases was determined on the basis of expected inflation and a real rate of increase. In Germany, the rate of pension increases is derived directly from the inflation rate insofar as pension adjustments can be determined on the basis of the increase in the cost of living. In international companies, pension adjustments are also generally determined on the basis of the inflation rate.

The other parameters are not relevant for the measurement of pension obligations. The impact of changes in fluctuation and mortality assumptions was analysed for major plans. Calculations of the mortality rate for the German group companies in financial year 2017/18 are based on the 2018 G tables from Prof. Dr Klaus Heubeck published in July 2018. The modified version, which was published in October 2018, was not applied.

The actuarial valuations outside of Germany are based on country-specific mortality tables. The resulting effects of fluctuation and mortality assumptions have been deemed immaterial and are not listed as a separate component.

The following is a sensitivity analysis for the key valuation parameters with respect to the present value of pension entitlements. The actuarial rate of interest and the inflation rate were identified as key parameters with an impact on the present value of pension entitlements. The sensitivity analysis used the same methods as were applied in the previous year. The analysis considered changes in parameters that are considered possible within reason. 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 methodological 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:

€ million		30/9/2017 Germany	Nether-lands	United Kingdom	Belgium	Other countries	**30/9/2018 Germany**	**Nether-lands**	**United Kingdom**	**Belgium**	**Other countries**
Actuarial interest rate	Increase by 100 basis points	–53	–91	–37	–4	–12	**–46**	**–89**	**–33**	**–3**	**–11**
	Decrease by 100 basis points	67	125	48	6	15	**58**	**123**	**43**	**5**	**13**
Inflation rate	Increase by 25 basis points	10	13	5	1	1	**9**	**13**	**5**	**0**	**1**
	Decrease by 25 basis points	–10	–13	–4	–1	–1	**–9**	**–13**	**–6**	**0**	**–1**

The granting of defined benefit pension entitlements exposes METRO to various risks. These include general actuarial risks resulting from the valuation of pension commitments (for example, interest rate risks) as well as capital and investment risks related to plan assets.

With a view to the funding of future pension payments from indirect commitments and a stable actuarial reserve, METRO primarily invests plan assets in low-risk investment forms. The funding of direct pension commitments is secured through operating cash flow at METRO.

The fair value of plan assets by asset category can be broken down as follows:

	30/9/2017 %	€ million	**30/9/2018 %**	**€ million**
Fixed-interest securities	38	340	**36**	**337**
Shares, funds	24	217	**26**	**247**
Real estate	4	32	**4**	**36**
Other assets	34	316	**34**	**320**
	100	**905**	**100**	**940**

Fixed-interest securities, shares and funds are regularly traded in active markets. As a result, the relevant market prices are available. The asset category 'fixed-interest securities' only includes investments in investment grade corporate bonds, government bonds and mortgage-backed bonds (Pfandbriefe). Risk within the category 'shares, funds' is minimised through geographic diversification.

The majority of real estate assets are invested in real estate funds.

Other assets essentially comprise receivables from insurance companies in Germany, Belgium and the United Kingdom. All of these are first-rate insurance companies. Additionally, an initial deposit into the plan assets in the amount of €15 million was paid for the purpose of a collective life insurance contract in France.

The actual return on plan assets amounted to €45 million in the reporting period (2016/17: €16 million).

For financial year 2018/19, the company expects employer payments to external pension providers totalling approximately €17 million and employee contributions of €10 million in plan assets, with contributions in the Netherlands and Germany accounting for the major share of this total. Expected contributions from payment contribution commitments in Germany are not included in expected payments.

Changes in the present value have developed as follows:

€ million	2016/17	2017/18
Present value of defined benefit obligations		
As of the beginning of the period	1,424	**1,342**
Recognised under pension expenses through profit or loss	**38**	**55**
Interest expenses	24	**30**
Current service cost	28	**25**
Past service cost (incl. curtailments and changes)	−14	**0**
Settlement expenses	0	**0**
Recognised outside of profit or loss under remeasurement of defined benefit pension plans in other comprehensive income	**−114**	**−39**
Actuarial gains/losses from changes in		
demographic assumptions (−/+)	−10	**−4**
financial assumptions (−/+)	−127	**−20**
experience-based correction (−/+)	23	**−15**
Other effects	**−6**	**−107**
Benefit payments (incl. tax payments)	−46	**−59**
Contributions from plan participants	10	**11**
Change in consolidation group/transfers	38	**0**
Reclassifications in accordance with IFRS 5	0	**−55**
Currency effects	−8	**−4**
As of the end of the period	**1,342**	**1,251**

In Germany, the reclassification to assets held for sale in connection with the disposal of the hypermarket business resulted in a reduction of the present value of defined benefit obligations in the amount of €55 million.

The change to the 2018 G life expectancy tables in Germany resulted in the obligations increasing by €4 million. Due to the subsequent modification of the tables in October 2018, a slight inverse effect is expected in the next year.

A project to settle marginal pension entitlements in the United Kingdom resulted in settlement payments in the total amount of €6 million. The profit from the severance payment was €0 million.

Changes in parameters on the basis of actuarial calculations led to a total decrease in the present value of defined benefit obligations of €24 million (2016/17: €−137 million).

The weighted average term of defined benefit commitments for the countries with material pension obligations amounts to:

Years	30/9/2017	30/9/2018
Germany	16	**16**
Netherlands	22	**22**
United Kingdom	18	**18**
Belgium	4	**4**
Other countries	12	**11**

The present value of defined benefit obligations can be broken down as follows based on individual groups of eligible employees:

%	30/9/2017	30/9/2018
Active members	34	**32**
Former claimants	36	**38**
Pensioners	30	**30**

The fair value of plan assets developed as follows:

€ million	2016/17	2017/18
Change in plan assets		
Fair value of plan assets as of the beginning of the period	864	**905**
Recognised under pension expenses through profit or loss	**16**	**21**
Interest income	16	**21**
Recognised outside of profit or loss under remeasurement of defined benefit pension plans in other comprehensive income	**0**	**24**
Gains/losses from plan assets excl. interest income (+/–)	0	**24**
Other effects	**25**	**–10**
Benefit payments (incl. tax payments)	–26	**–34**
Settlement payments	–2	**–6**
Employer contributions	16	**35**
Contributions from plan participants	10	**11**
Change in consolidation group/transfers	33	**0**
Reclassification in accordance with IFRS 5	0	**–16**
Currency effects	–6	**0**
Fair value of plan assets as of the end of the period	**905**	**940**

In Germany, the reclassification to assets held for sale in connection with the disposal of the hypermarket business resulted in a reduction of the plan assets by €16 million.

€ million	30/9/2017	30/9/2018
Financing status		
Present value of defined benefit obligations	1,342	**1,251**
less the fair value of plan assets	905	**940**
Assets adjustment (asset ceiling)	67	**115**
Net liability/assets	**504**	**427**
thereof recognised under provisions	504	**427**
thereof recognised under net assets	0	**0**

At one Dutch company, plan assets exceeded the value of commitments as of the closing date. Since the company cannot draw any economic benefits from this overfunding, the balance sheet amount was reduced to €0 in line with IAS 19.64 (b).

The change in the effect of the asset ceiling in the amount of €46 million was largely recognised in other comprehensive income as a loss from remeasuring (2016/17: €36 million).

The pension expenses of the direct and indirect company pension plan commitments can be broken down as follows:

€ million	2016/17	2017/18
Current service cost[1]	28	**24**
Net interest expenses	9	**11**
Past service cost (incl. curtailments and changes)	–14	**0**
Settlements	0	**0**
Other pension expenses	1	**1**
Pension expenses	**24**	**36**

[1] Netted against employees' contributions.

The entire profits to be recognised outside of profit or loss in other comprehensive income amount to €17 million in financial year 2017/18. This figure is comprised of the effect from the change in actuarial parameters in the amount of €24 million, experience-based adjustments of €15 million and income from plan assets in the amount of €24 million. It was offset by losses of €–46 million resulting from the changed effect of the asset ceiling in the Netherlands.

In addition to expenses from defined benefit pension commitments, expenses for payments to external pension providers relating to defined contribution pension commitments of €82 million were recorded in financial year 2017/18 (2016/17: €78 million). These figures also include payments to statutory pension insurance.

The provisions for obligations similar to pensions essentially comprise commitments from employment anniversary allowances, death benefits and partial retirement plans. Provisions amounting to €41 million (30/9/2017: €52 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.

34. Other provisions (non-current)/ provisions (current)

In the reporting period, other provisions (non-current)/provisions (current) changed as follows:

€ million	Real estate-related obligations	Obligations from trade transactions	Restructuring	Taxes	Miscellaneous	Total
As of 1/10/2017	202	62	200	15	260	739
Currency translation	0	–1	0	0	–2	–3
Addition	43	76	10	6	99	234
Reversal	–19	–2	–37	–8	–37	–103
Utilisation	–40	–71	–113	–1	–106	–332
Change in consolidation group	0	0	0	0	0	0
Interest portion of the addition/change in interest rate	0	0	0	0	0	1
Reclassification in accordance with IFRS 5	–58	–42	–17	0	–10	–127
Transfer	8	–1	0	3	–18	–9
As of 30/9/2018	**135**	**21**	**42**	**14**	**187**	**399**
Non-current	57	0	5	9	54	126
Current	78	21	37	5	132	274
As of 30/9/2018	**135**	**21**	**42**	**14**	**187**	**399**

Provisions for real estate-related obligations predominantly concern lease liabilities in the amount of €40 million (30/9/2017: €40 million), deficient rental covers amounting to €34 million (30/9/2017: €48 million) and maintenance obligations amounting to €24 million (30/9/2017: €39 million), dismantling and removing obligations amounting to €20 million (30/9/2017: €30 million), as well as store-related risks totalling €15 million (30/9/2017: €43 million).

The reversal in the amount of €19 million results predominantly from the reassessment of risks relating to lease liabilities and store-specific local risks.

The largest component of the provisions for obligations from trade transactions are the other provisions from the products and services segment in the amount of € 17 million (30/9/2017: €16 million), these are predominantly provisions for risks from additional charges billed by suppliers.

Other components are provisions for warranties amounting to €1 million (30/9/2017: €2 million) and provisions for unclaimed rebate credit balances totalling €1 million (30/9/2017: €1 million). €38 million were attributable to customer loyalty programmes in the previous year. The reduction in the provision for customer loyalty programmes is essentially resultant from the reclassification of the hypermarket business into assets held for sale.

The provisions for restructuring amount to €42 million (30/9/2017: €200 million). They concern METRO Wholesale Germany with €5 million (30/9/2017: €30 million), METRO Wholesale Western Europe (excluding Germany) with €5 million (30/9/2017: €15 million) and other provisions amounting to €32 million (30/9/2017: €93 million).

Significant components of the other provisions include provisions for litigation costs/risks in the amount of €49 million (30/9/2017: €58 million), provisions for long-term remuneration components amounting to €36 million (30/9/2017: €28 million), as well as provisions for risks relating to guarantees and warranties amounting to €23 million (30/9/2017: €30 million). This item further includes provisions for severance payment obligations in the amount of €4 million (30/9/2017: €8 million) and interest on tax provisions amounting to €0 million (30/9/2017: €9 million).

The reversal in the amount of €37 million predominantly results from the short-term portion. It concerns a variety of circumstances for which the risk potential was reassessed.

— **For more information about the long-term remuneration components, see no. 50 – long-term incentive for executives.**

Transfers essentially concern reclassifications within other provisions.

Depending on the respective term and country, interest rates for non-interest-bearing, non-current provisions range from 0.00% to 6.48%.

35. Liabilities

		Remaining term				**Remaining term**		
€ million	30/9/2017 Total	up to 1 year	1 to 5 years	over 5 years	**30/9/2018 Total**	**up to 1 year**	**1 to 5 years**	**over 5 years**
Trade liabilities	**4,782**	**4,782**	**0**	**0**	**3,993**	**3,993**	**0**	**0**
Bonds incl. commercial papers	3,229	1,335	1,196	698	**2,920**	**1,026**	**1,195**	**699**
Liabilities to banks	281	174	102	5	**383**	**318**	**65**	**0**
Promissory note loans	64	10	54	0	**55**	**1**	**54**	**0**
Liabilities from finance leases	1,132	92	378	661	**652**	**74**	**213**	**365**
Financial liabilites	**4,706**	**1,611**	**1,730**	**1,364**	**4,010**	**1,420**	**1,526**	**1,063**
Payroll liabilities	549	549	0	0	**450**	**449**	**0**	**0**
Liabilities from other financial transactions	16	16	0	0	**6**	**6**	**0**	**0**
Miscellaneous other financial liabilities	449	382	12	55	**345**	**289**	**4**	**52**
Other financial liabilities	**1,014**	**947**	**12**	**55**	**801**	**744**	**4**	**52**
Prepayments received on orders	24	24	0	0	**32**	**32**	**0**	**0**
Deferred income	219	140	47	32	**170**	**124**	**12**	**34**
Other tax liabilities	170	170	0	0	**195**	**195**	**0**	**0**
Miscellaneous other liabilities	80	64	1	14	**61**	**41**	**4**	**16**
Other liabilities	**493**	**398**	**48**	**46**	**459**	**392**	**16**	**50**
Income tax liabilities	**167**	**167**	**0**	**0**	**191**	**191**	**0**	**0**
	11,162	**7,905**	**1,791**	**1,466**	**9,454**	**6,741**	**1,547**	**1,166**

36. Trade liabilities

Trade liabilities declined by €789 million, from €4,782 million to €3,993 million.

The previous year's figures include €782 million attributable to the hypermarket business to be disposed of.

Additionally, currency effects reduced the trade liabilities by a further €128 million and were mainly resultant from the Turkish lira (€72 million) and the Russian rouble (€37 million). The increase after currency effects amounts to €121 million and is predominantly attributable to modified payment terms and increased purchasing volumes in a number of different countries.

37. Financial liabilities

The company's medium-term and long-term financing needs are covered by an ongoing capital market bond programme with a maximum volume of €5 billion. On 13 February 2018, the remaining due amount of a maturing bond in the amount of €50 million with a coupon of 3.5% and on 11 May 2018, a maturing bond of €500 million with a coupon of 2.25% were repaid on time. On 6 March 2018, a bond of €500 million was placed with a coupon of 1.125%. By 30 September 2018, €2.401 billion of the bond issuance programme had been utilised up to.

Short-term financing requirements are covered through the Euro Commercial Paper Programme with a maximum volume of €2 billion. On average, the programme was used at €583 million during the reporting period. As of 30 September 2018, the utilisation amounted to €497 million (30/9/2017: €754 million).

In addition, METRO has access to syndicated credit facilities totalling €1,750 million (30/9/2017: €1,750 million) with terms ending between 2021 and 2023. If the credit facilities are used, the interest rates range between EURIBOR +50.0 basis points (BP) and EURIBOR +55.0 BP. As was the case in the previous year, the credit facilities were not utilised in financial year 2017/18. The contract terms for the syndicated credit facilities provide for a decrease of 10 BP in the spread if METRO's credit rating is raised by one grade. In the event of a downgrade in METRO's rating, the margins increase by 25 BP.

As of 30 September 2018, METRO had access to additional bilateral bank credit facilities totalling €633 million (30/9/2017: €531 million), of which €318 million (30/9/2017: €174 million) had a remaining term of up to one year. As of the closing date, €383 million of the bilateral credit facilities had been utilised (30/9/2017: €281 million), of which €318 million (30/9/2017: €174 million) had a remaining term of up to one year. As of the closing date, there were €250 million of free multi-year bilateral credit facilities available.

UNDRAWN CREDIT FACILITIES AVAILABLE TO METRO

	30/9/2017			**30/9/2018**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Bilateral credit facilities	531	174	357	**633**	**318**	**315**
Utilisation	–281	–174	–107	**–383**	**–318**	**–65**
Undrawn bilateral credit facilities	**250**	**0**	**250**	**250**	**0**	**250**
Syndicated credit facilities	1,750	0	1,750	**1,750**	**0**	**1,750**
Utilisation	0	0	0	**0**	**0**	**0**
Undrawn syndicated credit facilities	**1,750**	**0**	**1,750**	**1,750**	**0**	**1,750**
Total credit facilities	**2,281**	**174**	**2,107**	**2,383**	**318**	**2,065**
Total utilisation	–281	–174	–107	**–383**	**–318**	**–65**
Total undrawn credit facilities	**2,000**	**0**	**2,000**	**2,000**	**0**	**2,000**

Default by a lender can be covered at any time by the existing undrawn credit facilities or the available money and capital market programmes. METRO therefore does not bear any creditor default risk.

METRO principally does not provide collateral for financial liabilities. One exception concerns the first-time consolidation of METRO PROPERTIES GmbH & Co. KG as well as its subsidiaries in 2003. As of 30 September 2018, collateral securities in the amount of €13 million were provided for financial liabilities (30/9/2017: €28 million). The previous year's figures include €15 million attributable to the hypermarket business to be disposed of.

The following tables show the maturity structure of the financial liabilities. The carrying amounts and fair values indicated include the interest accrued when the maturity is less than one year.

BONDS INCLUDING COMMERCIAL PAPERS

		30/9/2017				**30/9/2018**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	1,304	1,304	1,335	–	**997**	**997**	**1,026**	**–**
	1 to 5 years	1,200	1,200	1,196	–	**1,200**	**1,200**	**1,195**	**–**
	over 5 years	701	701	698	–	**701**	**701**	**699**	**–**
		3,205	**3,205**	**3,229**	**3,297**	**2,898**	**2,898**	**2,920**	**2,925**

LIABILITIES TO BANKS
(excl. current account)

		30/9/2017				**30/9/2018**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair Values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	6	6	7	–	**201**	**201**	**202**	**–**
	1 to 5 years	68	68	68	–	**16**	**16**	**16**	**–**
	over 5 years	5	5	5	–	**0**	**0**	**0**	**–**
		79	**79**	**80**	**84**	**217**	**217**	**218**	**218**
INR	up to 1 year	2.771	36	36	–	**1.150**	**14**	**14**	**–**
	1 to 5 years	2.200	29	29	–	**2.700**	**32**	**32**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		4.971	**65**	**65**	**65**	**3.850**	**46**	**46**	**47**
JPY	up to 1 year	3.370	25	25	–	**970**	**7**	**7**	**–**
	1 to 5 years	795	6	6	–	**2.225**	**17**	**17**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		4.165	**31**	**31**	**31**	**3.195**	**24**	**24**	**25**
MMK	up to 1 year	0	0	0	0	**15**	**8**	**8**	**–**
	1 to 5 years	0	0	0	0	**0**	**0**	**0**	**–**
	over 5 years	0	0	0	0	**0**	**0**	**0**	**–**
		0	**0**	**0**	**0**	**15**	**8**	**8**	**8**
UAH	up to 1 year	0	0	0	0	**950**	**29**	**29**	**–**
	1 to 5 years	0	0	0	0	**0**	**0**	**0**	**–**
	over 5 years	0	0	0	0	**0**	**0**	**0**	**–**
		0	**0**	**0**	**0**	**950**	**29**	**29**	**29**

PROMISSORY NOTE LOANS

		30/9/2017				**30/9/2018**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	9	9	10	–	**0**	**0**	**1**	**–**
	1 to 5 years	54	54	54	–	**54**	**54**	**54**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		63	**63**	**64**	**72**	**54**	**54**	**55**	**61**

Redeemable loans that are shown under liabilities to banks are listed with the remaining terms corresponding to their redemption date.

The following tables show the interest rate structure of the financial liabilities:

BONDS INCLUDING COMMERCIAL PAPERS

			30/9/2017	**30/9/2018**
Interest terms	Currency	Remaining term	Nominal values € million	**Nominal values € million**
Fixed interest	EUR	up to 1 year	550	**500**
		1 to 5 years	1,200	**1,200**
		over 5 years	701	**701**
Variable interest	EUR	up to 1 year	754	**497**
		1 to 5 years	0	**0**
		over 5 years	0	**0**

LIABILITIES TO BANKS

(excl. current account)

Interest terms	Currency	Remaining term	30/9/2017 Nominal values € million	**30/9/2018 Nominal values € million**
Fixed interest	EUR	up to 1 year	6	**201**
		1 to 5 years	68	**16**
		over 5 years	5	**0**
	INR	up to 1 year	36	**14**
		1 to 5 years	29	**32**
		over 5 years	0	**0**
	MMK	up to 1 year	0	**8**
		1 to 5 years	0	**0**
		over 5 years	0	**0**
	UAH	up to 1 year	0	**29**
		1 to 5 years	0	**0**
		over 5 years	0	**0**
Variable interest	JPY	up to 1 year	25	**7**
		1 to 5 years	6	**17**
		over 5 years	0	**0**

PROMISSORY NOTE LOANS

Interest terms	Currency	Remaining term	30/9/2017 Nominal values € million	**30/9/2018 Nominal values € million**
Fixed interest	EUR	up to 1 year	9	**0**
		1 to 5 years	54	**54**
		over 5 years	0	**0**
Variable interest	EUR	up to 1 year	0	**0**
		1 to 5 years	0	**0**
		over 5 years	0	**0**

The fixed interest rate on short- and medium-term financial liabilities and the interest rate adjustment dates of all fixed-interest financial liabilities are essentially the same as those shown. The repricing dates for variable interest rates are less than one year.

— **The effects of interest rate changes in the variable share of financial liabilities on profit or loss for the period and the equity of METRO are described in detail in no. 44 – management of financial risks.**

38. Other financial and other non-financial liabilities

Key items in miscellaneous other financial liabilities concern liabilities from the purchase of other fixed assets in the amount of €137 million (30/9/2017: €215 million), liabilities to customers in the amount of €44 million (30/9/2017: €47 million), liabilities from put options of non-controlling shareholders in the amount of €64 million (30/9/2017: €56 million) as well as liabilities from real estate totalling €5 million (30/9/2017: €11 million).

In addition, miscellaneous other financial liabilities also include numerous other individual items.

The previous year's figures for the other financial liabilities include €122 million attributable to the hypermarket business to be disposed of.

Other tax liabilities include sales tax, land tax, wage and church tax as well as other taxes.

Deferred income includes accrued rental, leasing and interest income as well as accrued sales from customer loyalty programmes, the sale of vouchers and other accruals.

Material items in miscellaneous other non-financial liabilities include prepayments received on orders of €32 million (30/9/2017: €24 million) and lease liabilities (excluding finance leases) amounting to €21 million (30/9/2017: €17 million).

The previous year's figures include €71 million attributable to the hypermarket business to be disposed of.

	30/9/2017			**30/9/2018**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Payroll liabilities	549	549	0	**450**	**449**	**0**
Miscellaneous other financial liabilities	465	398	67	**351**	**295**	**56**
Other financial liabilities	**1,014**	**947**	**67**	**801**	**744**	**56**
Other tax liabilities	170	170	0	**195**	**195**	**0**
Deferred income	219	140	79	**170**	**124**	**47**
Miscellaneous other non-financial liabilities	104	88	16	**93**	**73**	**20**
Other non-financial liabilities	**493**	**398**	**95**	**459**	**392**	**67**

39. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities that are subject to offsetting agreements, enforceable master netting arrangements and similar agreements were as follows:

	30/9/2017					
	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) – (d)
	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets that are netted in the balance sheet	Net amounts of financial assets/liabilities that are shown in the balance sheet	Corresponding amounts that are not netted in the balance sheet		
€ million				Financial instruments	Received/ provided collateral	Net amount
Financial assets						
Loans and advance credit granted	46	0	46	0	0	46
Receivables due from suppliers	719	215	504	14	0	490
Trade receivables	575	0	575	0	0	575
Investments	39	0	39	0	0	39
Miscellaneous financial assets	344	1	343	0	0	343
Derivative financial instruments	6	0	6	1	0	5
Cash and cash equivalents	1,559	0	1,559	0	0	1,559
Receivables from finance leases	31	0	31	0	0	31
	3,318	**216**	**3,102**	**15**	**0**	**3,087**
Financial liabilities						
Financial liabilities (excl. finance leases)	3,575	0	3,575	0	0	3,575
Trade liabilities	4,997	215	4,782	14	0	4,768
Miscellaneous financial liabilities	1,000	1	999	0	0	999
Derivative financial instruments	15	0	15	1	0	14
Liabilities from finance leases	1,132	0	1,132	0	0	1,132
	10,718	**216**	**10,502**	**15**	**0**	**10,487**

€ million	30/9/2018 (a) Gross amounts of recognised financial assets/liabilities	(b) Gross amounts of recognised financial liabilities/assets that are netted in the balance sheet	(c) = (a) – (b) Net amounts of financial assets/liabilities that are shown in the balance sheet	(d) Corresponding amounts that are not netted in the balance sheet Financial instruments	 Received/ provided collateral	(e) = (c) – (d) Net amount
Financial assets						
Loans and advance credit granted	**33**	**0**	**33**	**0**	**0**	**33**
Receivables due from suppliers	**521**	**193**	**328**	**46**	**0**	**282**
Trade receivables	**571**	**0**	**571**	**0**	**0**	**571**
Investments	**48**	**0**	**48**	**0**	**0**	**48**
Miscellaneous financial assets	**240**	**0**	**240**	**0**	**0**	**240**
Derivative financial instruments	**11**	**0**	**11**	**1**	**0**	**10**
Cash and cash equivalents	**1,298**	**0**	**1,298**	**0**	**0**	**1,298**
Receivables from finance leases	**29**	**0**	**29**	**0**	**0**	**29**
	2,751	**193**	**2,558**	**46**	**0**	**2,512**
Financial liabilities						
Financial liabilities (excl. finance leases)	**3,359**	**0**	**3,359**	**0**	**0**	**3,359**
Trade liabilities	**4,186**	**193**	**3,993**	**46**	**0**	**3,948**
Miscellaneous financial liabilities	**796**	**0**	**796**	**0**	**0**	**796**
Derivative financial instruments	**5**	**0**	**5**	**1**	**0**	**4**
Liabilities from finance leases	**652**	**0**	**652**	**0**	**0**	**652**
	8,997	**193**	**8,804**	**46**	**0**	**8,758**

The amounts that are not netted in the balance sheet include both financial instruments and collateral. The financial instruments that have not been netted could be netted based on the underlying framework agreements, but do not fulfil the netting criteria of IAS 32 (Financial Instruments: Presentation). Collateral may include both financial assets provided as collateral for liabilities to third parties and financial liabilities which METRO has received from a third party as collateral for assets.

— **For more information about collateral, see no. 44 – management of financial risks.**

40. Undiscounted cash flows of financial liabilities

The undiscounted cash flows of financial liabilities, trade liabilities and derivative liabilities are as follows:

€ million	Carrying amount 30/9/2017	Cash flows up to 1 year Interest	Cash flows up to 1 year Redemption	Cash flows of 1 to 5 years Interest	Cash flows of 1 to 5 years Redemption	Cash flows over 5 years Interest	Cash flows over 5 years Redemption
Financial liabilities							
Bonds including commercial papers	3,229	45	1,304	122	1,200	41	701
Liabilities to banks	281	4	173	7	103	0	5
Promissory note loans	64	3	9	9	54	0	0
Bills of exchange liabilities	0	0	0	0	0	0	0
Finance leases	1,132	74	92	242	378	242	661
Trade liabilities	4,782	0	4,782	0	0	0	0
Interest-based derivatives carried as liabilities	0	0	0	0	0	0	0
Currency derivatives carried as liabilities	15	0	15	0	0	0	0
Commodity derivatives carried as liabilities	0	0	0	0	0	0	0

€ million	**Carrying amount 30/9/2018**	**Cash flows up to 1 year Interest**	**Cash flows up to 1 year Redemption**	**Cash flows of 1 to 5 years Interest**	**Cash flows of 1 to 5 years Redemption**	**Cash flows over 5 years Interest**	**Cash flows over 5 years Redemption**
Financial liabilities							
Bonds including commercial papers	**2,920**	**50**	**997**	**109**	**1,200**	**28**	**701**
Liabilities to banks	**383**	**1**	**317**	**2**	**65**	**0**	**0**
Promissory note loans	**55**	**2**	**0**	**7**	**54**	**0**	**0**
Bills of exchange liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Finance leases	**652**	**52**	**74**	**161**	**213**	**153**	**365**
Trade liabilities	**3,993**	**0**	**3,993**	**0**	**0**	**0**	**0**
Interest-based derivatives carried as liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Currency derivatives carried as liabilities	**5**	**0**	**5**	**0**	**0**	**0**	**0**
Commodity derivatives carried as liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**

41. Carrying amounts and fair values according to measurement categories

The carrying amounts and fair values of recognised financial instruments are as follows:

	30/9/2017				
		Balance sheet value			
€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**15,779**	**N/A**	**N/A**	**N/A**	**N/A**
Loans and receivables	**1,466**	**1,466**	**0**	**0**	**1,470**
Loans and advance credit granted	46	46	0	0	47
Receivables due from suppliers	504	504	0	0	504
Trade receivables	575	575	0	0	575
Miscellaneous financial assets	342	342	0	0	344
Held to maturity	**0**	**0**	**0**	**0**	**0**
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**4**	**0**	**4**	**0**	**4**
Derivative financial instruments not in a hedging relationship according to IAS 39	4	0	4	0	4
Available for sale	**41**	**16**	**0**	**24**	**N/A**
Investments	39	16	0	23	N/A
Securities	1	0	0	1	1
Derivative financial instruments in a hedging relationship according to IAS 39	**2**	**0**	**0**	**2**	**2**
Cash and cash equivalents	**1,559**	**1,559**	**0**	**0**	**1,559**
Receivables from finance leases (amount according to IAS 17)	**31**	**N/A**	**N/A**	**N/A**	**43**
Assets not classified according to IFRS 7	**12,677**	**N/A**	**N/A**	**N/A**	**N/A**
Equity and liabilities	**15,779**	**N/A**	**N/A**	**N/A**	**N/A**
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
Other financial liabilities	**9,355**	**9,355**	**0**	**0**	**9,437**
Financial liabilities excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	3,575	3,575	0	0	3,656
Trade liabilities	4,782	4,782	0	0	4,782
Miscellaneous financial liabilities	999	999	0	0	999
Derivative financial instruments in a hedging relationship according to IAS 39	**7**	**0**	**0**	**7**	**7**
Liabilities from finance leases (amount according to IAS 17)	**1,132**	**N/A**	**N/A**	**N/A**	**1,411**
Liabilities not classified according to IFRS 7	**5,278**	**N/A**	**N/A**	**N/A**	**N/A**

€ million	30/9/2018 Carrying amount	Balance sheet value (Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	15,242	N/A	N/A	N/A	N/A
Loans and receivables	1,170	1,170	0	0	1,177
Loans and advance credit granted	33	33	0	0	32
Receivables due from suppliers	328	328	0	0	328
Trade receivables	571	571	0	0	571
Miscellaneous financial assets	238	238	0	0	246
Held to maturity	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	7	0	7	0	7
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0	7
Available for sale	49	2	0	47	N/A
Investments	48	2	0	46	N/A
Securities	1	0	0	1	1
Derivative financial instruments in a hedging relationship according to IAS 39	4	0	0	4	4
Cash and cash equivalents	1,298	1,298	0	0	1,298
Receivables from finance leases (amount according to IAS 17)	29	N/A	N/A	N/A	37
Assets not classified according to IFRS 7	12,684	N/A	N/A	N/A	N/A
Equity and liabilities	15,242	N/A	N/A	N/A	N/A
held for trading	4	0	4	0	4
Derivative financial instruments not in a hedging relationship according to IAS 39	4	0	4	0	4
Other financial liabilities	8,148	8,148	0	0	8,161
Financial liabilities excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	3,359	3,359	0	0	3,372
Trade liabilities	3,993	3,993	0	0	3,993
Miscellaneous financial liabilities	796	796	0	0	796
Derivative financial instruments in a hedging relationship according to IAS 39	1	0	0	1	1
Liabilities from finance leases (amount according to IAS 17)	652	N/A	N/A	N/A	854
Liabilities not classified according to IFRS 7	6,438	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 classified in each case in a separate class.

The fair value hierarchy comprises 3 levels which reflect the degree of closeness to the market of the input parameters used in the determination of the fair values. In cases in which the valuation is based on different input parameters, the fair value is attributed to the hierarchy level corresponding to the input parameter of the lowest level that is significant for the valuation.

Input parameters for level 1: quoted prices (that are adopted unchanged) in active markets for identical assets or liabilities which the company can access at the valuation date.

Input parameters for level 2: other input parameters than the quoted prices included in level 1 which are either directly or indirectly observable for the asset or liability.

Input parameters for level 3: input parameters that are not observable for the asset or liability.

Of the total carrying value of investments amounting to €48 million (30/9/2017: €39 million), €2 million (30/9/2017: €16 million) are measured at their cost of purchase as their fair value cannot be reliably determined. These concern off-exchange financial instruments without an active market. The company currently does not plan to dispose of the investments recognised at historical cost. The remaining investments amounting to €46 million (30/9/2017: €23 million) are recognised at fair value in equity.

In addition, securities totalling €1 million (30/9/2017: €1 million) are recognised outside of profit or loss. These primarily concern highly liquid exchange-listed money market funds.

The earn-out liability in the amount of €6 million which incurred in relation to Classic Fine Foods was reversed through profit or loss in the reporting year. As of the closing date, there were no earn-out liabilities (30/9/2017: €6 million).

The following table depicts the financial instruments that are recognised at fair value in the balance sheet. These are classified into a 3-level fair value hierarchy whose levels reflect the degree of closeness to the market of the data used in the determination of the fair values:

	30/9/2017				**30/9/2018**			
€ million	Total	Level 1	Level 2	Level 3	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets	**30**	**1**	**29**	**0**	**58**	**1**	**57**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	4	0	4	0	**7**	**0**	**7**	**0**
Available for sale								
Investments	23	0	23	0	**46**	**0**	**46**	**0**
Securities	1	1	0	0	**1**	**1**	**0**	**0**
Derivative financial instruments in a hedging relationship according to IAS 39	**2**	**0**	**2**	**0**	**4**	**0**	**4**	**0**
Equity and liabilities	**15**	**0**	**15**	**0**	**5**	**0**	**5**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	8	0	8	0	**4**	**0**	**4**	**0**
Miscellaneous financial liabilities	0	0	0	0	**0**	**0**	**0**	**0**
Other financial liabilities								
Miscellaneous financial liabilities	0	0	0	0	**0**	**0**	**0**	**0**
Derivative financial instruments in a hedging relationship according to IAS 39	**7**	**0**	**7**	**0**	**1**	**0**	**1**	**0**
	15	**1**	**14**	**0**	**53**	**1**	**52**	**0**

The measurement of securities (level 1) is carried out based on quoted market prices in active markets.

Interest rate swaps and currency transactions (all level 2) are measured using the mark-to-market method based on quoted exchange rates and market yield curves.

No transfers between levels 1 and 2 were effected during the reporting period.

Financial instruments that are recognised at amortised cost in the balance sheet, but for which the fair value is stated in the notes, are also classified according to a 3-level fair value hierarchy.

Due to their mostly short terms, the fair values of receivables due from suppliers, trade receivables and liabilities as well as cash and cash equivalents essentially correspond to their carrying amounts.

The measurement of the fair value of bonds including commercial papers, liabilities to banks and promissory note loans is based on the market interest rate curve following the zero-coupon method in consideration of credit spreads (level 2). The amounts comprise the interest prorated to the closing date.

The fair values of all other financial assets and liabilities that are not listed on an exchange correspond to the present value of payments underlying these balance sheet items. The calculation was based on the applicable country-specific yield curve (level 2) as of the closing date.

OTHER NOTES

42. Notes to the cash flow statement

In accordance with IAS 7 (Statement of Cash Flows), the consolidated cash flow statement describes changes in the group's cash and cash equivalents through cash inflows and outflows during the reporting period.

The item cash and cash equivalents includes cheques and cash on hand as well as cash in transit and bank deposits with a remaining term of up to 3 months.

The cash flow statement distinguishes between changes in cash levels from operating, investing and financing activities. Cash flows from discontinued operations are reported separately where they concern discontinued business operations.

Cash flows from discontinued operations concern the hypermarket business to be disposed of.

The following explanations relate to continuing operations.

During the reporting period, cash flows from operating activities amounted to €874 million (2016/17: €851 million). Depreciation/amortisation/impairment losses of €453 million (2016/17: €499 million) are attributable to property, plant and equipment, €93 million (2016/17: €83 million) are attributable to other intangible assets, €0 million (2016/17: €19 million) to goodwill and €6 million (2016/17: €10 million) to investment properties. This stands in contrast to reversals of impairment losses in the amount of €4 million (2016/17: €3 million).

The change in net working capital amounts to €179 million (2016/17: €–34 million) and includes changes in inventories, trade receivables and receivables due from suppliers, included in the item other financial assets. Furthermore, it includes changes in trade liabilities. The improved cash flows generated by the net working capital are predominantly attributable to the METRO Wholesale Russia and Asia segments.

Other operating activities resulted in a total cash outflow of €69 million (2016/17: cash outflow of €45 million). This item includes other taxes, payroll liabilities, changes in other assets and liabilities as well as deferred income and prepaid expenses. In addition, it includes changes in the assets and liabilities held for sale, adjustments of unrealised currency effects and the reclassification of deconsolidation results recognised in EBIT.

In the reporting period, investing activities led to cash outflow in the amount of €296 million (2016/17: cash outflow of €457 million).

The cash inflows from disposals of subsidiaries in the amount of €33 million relate especiallyto payment receipts for the Chinese property companies disposed of in the previous year. In the previous year, this item included outgoing cash from the disposals of subsidiaries Real Hyper Magazine and the 2 Chinese property companies.

The amount of investments in property, plant and equipment shown as cash outflows differs from the additions shown in the asset reconciliation in the amount of non-cash transactions. These essentially concern additions from finance leases, currency effects and changes in liabilities from the acquisition of miscellaneous other assets.

The financial investments comprise bank deposits with a residual term of more than 3 months to 1 year, as well as near money market investments that are not classified as cash and cash equivalents, such as short-term, liquid debt instruments and shares in money market funds. The balance of capital expenditure in financial investments and the disposal for financial investments amounts to €0 million (2016/17: cash inflow of €103 million).

In the reporting period, cash flow from financing activities totalled €581 million (2016/17: cash outflow of €375 million).

Cash and cash equivalents in the amount of €1 million (2016/17: €33 million) were affected by restrictions on title.

RECONCILIATION OF THE CASH FLOW FROM FINANCIAL LIABILITIES TO THE CHANGE IN FINANCIAL LIABILITIES REPORTED IN THE BALANCE SHEET

€ million	30/9/2017	Cash item	Additions to finance leases	Reclassification in accordance with IFRS 5	Exchange rate movements	**30/9/2018**
Bonds incl. commercial papers	3,229	−309	0	0	0	**2,920**
Liabilities to banks	281	188	0	−65	−20	**383**
Promissory note loans	64	−9	0	0	0	**55**
Liabilities from finance leases	1,132	−128	145	−493	−4	**652**
	4,706	**−259**	**145**	**−558**	**−24**	**4,010**

The cash flows from discontinued operations are derived as follows:

€ million	2016/17	**2017/18**
EBIT	19	**−83**
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	149	**238**
Change in provisions for pensions and other provisions	41	**−35**
Change in net working capital	−10	**−80**
Income taxes paid	0	**0**
Reclassification of gains (–) / losses (+) from the disposal of fixed assets	−3	**−6**
Other	−20	**−3**
Cash flow from operating activities of discontinued operations	**176**	**31**

€ million	2016/17	**2017/18**
Acquisition of subsidiaries	0	**−3**
Investments in property, plant and equipment (excluding finance leases)	−127	**−88**
Other investments	−23	**−10**
Acquisition of short-term financial investments	−1	**−1**
Disposals of subsidiaries	0	**0**
Disposal of fixed assets	4	**11**
Gains (+) / losses (–) from the disposal of fixed assets	3	**6**
Disposal of short-term financial investments	0	**0**
Cash flow from investment activities of discontinued operations	**−144**	**−85**

€ million	2016/17	**2017/18**
Dividends paid		
to METRO AG shareholders	0	**0**
to other shareholders	0	**0**
Redemption of liabilities from put options of non-controlling interests	0	**0**
Proceeds from new borrowings	0	**0**
Redemption of borrowings	−31	**−48**
Interest paid	−29	**−25**
Interest received	1	**0**
Profit and loss transfers and other financing activities	−4	**−6**
Cash flow from financing activities of discontinued operations	**−63**	**−79**

43. Segment reporting

The segmentation corresponds to the group's internal controlling and reporting structures. Operating segments are aggregated to form reporting segments based on the division of the business into individual regions. Due to the different business concepts involved, an additional differentiation was made between the business of METRO Wholesale and the business of Real. The individual regions are Germany, Western Europe (excluding Germany), Russia, Eastern Europe (excluding Russia) and Asia. The non-operational reporting units are aggregated in the Others segment, the regional segmentation is omitted.

METRO Wholesale

The business concept of METRO Wholesale is primarily geared towards business customers. It is active in the self-service wholesale trade with the brands METRO and MAKRO as well as in the food service distribution (FSD) with the METRO delivery service and, among others, with the supply specialists Classic Fine Foods, Pro à Pro and Rungis Express.

Real

Real focuses on the retail business, turning its concept to end consumers. Real is a hypermarket operator in Germany, where it operates both physical stores and an online store. All stores offer a broad food assortment with a large proportion of fresh produce that is complemented by a non-food assortment. Real forms the principal element of the discontinued business segment in the context of the Management Board's decision to dispose of the hypermarket business and is disclosed in the segment reporting under discontinued operations. Until reclassification of the figures at the end of the financial year, Real will represent a separate operating and reporting segment as internal management with respect to the allocation of in-house resources, and performance measurement by the Chief Operating Decision-Maker (member of the Management Board of METRO AG) is separately applied to Real.

Others

All other business activities do not constitute reportable segments that are subject to change and are summarised under Others. Other business activities include the Hospitality Digital business unit, which bundles the group's digitalisation initiatives. Other service companies including METRO PROPERTIES, METRO LOGISTICS, METRO-NOM, METRO ADVERTISING, METRO SOURCING and others provide group-wide services in the areas of real estate, logistics, information technology, advertising and procurement.

The key components of segment reporting are as follows:

- External sales represent sales of the operating segments to third parties outside the group.
- Internal sales represent sales between the group's operating segments. These transactions are settled under normal market conditions.
- Segment EBITDA comprises EBIT before depreciation and reversals of goodwill, impairment losses of property, plant and equipment, other intangible assets and investment properties.
- The earnings contributions from real estate transactions include the EBITDA-effective earnings from the disposal of land and land usage rights and/or buildings as part of a disposal transaction. Earnings from the disposal of dedicated real estate companies or the disposal of shares in such companies capitalised at equity are, as a result of their commercial substance, also included in the earnings contributions from real estate transactions. The earnings have been reduced by cost components incurred in relation to real estate transactions.
- All earnings contributions from real estate transactions are adjusted in the EBITDA excluding earnings contributions from real estate transactions.
- EBIT is the key ratio for segment reporting and describes operating earnings for the period before net financial result and income taxes. Intra-group rental contracts are shown as operating leases in the segments. The rental takes place under normal market conditions. The properties are leased at market terms. In principle, store-related risks and impairment risks related to non-current assets are only shown in the segments where they represent group risks. Similarly, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in the consolidated balance sheet.
- Segment investments include additions (including additions to the consolidation groups) to goodwill, other intangible assets and property, plant and equipment and investment properties. Exceptions to this are additions due to the reclassification of assets held for sale as non-current assets.
- The non-current segment assets include non-current assets. They are exclusive of most financial assets, investments accounted for using the equity method, tax items, inventories, trade receivables, receivables due from suppliers, as well as cash and cash equivalents.
- In principle, transfers between segments are made based on the costs incurred from the group's perspective.

The reconciliation from non-current segment assets to non-current group assets is shown in the following table: For the reporting year, the non-current group assets only include the non-current assets attributable to METRO's continuing operations. The assets of the hypermarket business to be disposed of, which the segment reporting still includes in the non-current segment assets must therefore be eliminated and become part of the reconciliation account:

€ million	30/9/2017	**30/9/2018**
Non-current segment assets	**8,512**	**8,196**
less non-current segment assets of the hypermarket business	0	**–1,289**
Financial assets	92	**88**
Investments accounted for using the equity method	183	**178**
Deferred tax assets	439	**365**
Other	1	**1**
Non-current group assets	**9,225**	**7,540**

44. Management of financial risks

METRO Treasury manages the financial risks of METRO. Specifically, these include:

- Price risks
- Liquidity risks
- Credit risks
- Cash flow risks

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

Price risks

For METRO, price risks result from the impact of changes in market interest rates, foreign currency exchange rates, share price fluctuations or changes in commodity prices on the value of financial instruments.

Interest rate risks are caused by changes in interest rate levels. Interest rate derivatives are used to cap these risks.

METRO's remaining interest rate risk is assessed in accordance with IFRS 7 using a sensitivity analysis. In the process, the following assumptions are applied in the consideration of changes in interest rates:

- The total impact determined by the sensitivity analysis relates to the actual balance as of the closing date and reflects the impact for 1 year.
- Primary floating-rate financial instruments whose interest payments are not designated as the underlying transaction in a cash flow hedge against changes in interest rates are recognised in the interest result in the sensitivity analysis. The sensitivity for a change of 10 basis points is determined due to the currently low level of interest rates.
- Primary fixed-interest financial instruments are generally not recognised in the interest result. They are only recognised in other financial result if they are designated as the underlying transaction within a fair value hedge and measured at fair value. In this case, however, the interest-related change in the value of the underlying transaction is offset by the change in the value of the hedging transaction upon full effectiveness of the hedging transaction. The variable interest flows within the group that result from a fair value hedge are recognised in the interest result.
- Financial instruments designated as the hedging transaction within a cash flow hedge to hedge against variable interest flows will only be recognised in the interest result when the payment flows have actually been initiated. However, the measurement of the hedging transaction at fair value is recognised in reserves retained from earnings outside of profit or loss.
- Interest rate derivatives that are not part of a qualified hedging transaction under IAS 39 are recognised at fair value in profit or loss in other financial result and, through resulting interest flows, in the interest result.

As of the closing date, METRO's remaining interest rate risk is primarily the result of variable interest rate receivables and liabilities to banks as well as other short-term liquid financial assets (shown under cash and cash equivalents) with an aggregate debit balance after consideration of hedging transactions of €688 million (30/9/2017: €608 million).

Given this total balance, an interest rate rise of 10 basis points would result in €1 million (2016/17: €1 million) higher earnings in the interest result per year. An interest rate decrease of 10 basis points would have the opposite effect of €–1 million (2016/17: €–1 million).

METRO faces currency risks in its international procurement of merchandise and because of costs and financings that are incurred in a currency other than the relevant local currency or are pegged to the development of another currency. In accordance with the group guideline Foreign Currency Transactions, resulting foreign currency positions must be hedged. Exceptions to this hedging requirement exist where hedging is not economically reasonable and in the case of legal and regulatory restrictions in the respective countries. Forward currency contracts are used in the hedging.

In line with IFRS 7, the presentation of the currency risk resulting from the exceptions is also based on a sensitivity analysis. In the process, the following assumptions are made in the consideration of a devaluation or revaluation of the euro vis-à-vis other currencies:

In terms of its amount and result characteristic, the total effect presented by the sensitivity analysis relates to the amounts of foreign currency held within the consolidated subsidiaries of METRO and states the effect of a devaluation or revaluation of the euro.

A devaluation of the euro will result in a positive effect if a receivable in the foreign currency exists at a subsidiary which uses the euro as its functional currency and if a liability in euros exists at a subsidiary which does not use the euro as its functional currency. The following table shows the nominal volumes of currency pairs in this category with a positive sign.

A devaluation of the euro will result in a negative effect if a receivable in euros exists at a subsidiary which does not use the euro as its functional currency and if a liability in the foreign currency exists at a subsidiary which uses the euro as its functional currency. Correspondingly, the following table shows the nominal volumes of currency pairs in this category with a negative sign.

By contrast, an appreciation of the euro will have the opposite effect for all currency pairs shown above.

In the sensitivity analysis, the effects of the measurement of non-equity foreign currency positions that are calculated based on the closing date price in line with IAS 21 are recognised in the income statement. In the case of net investments in a foreign operation, the effects of the closing date measurement are recognised in equity (other comprehensive income) outside of profit or loss.

Foreign currency futures/options and interest rate and currency swaps that are not part of a qualified hedge under IAS 39 are recognised through the fair value measurement in the income statement. In fully effective hedging transactions, this effect is offset by the effect from the measurement of the underlying foreign currency transaction.

In the consolidated financial statements, foreign currency future transactions are designated as hedging transactions within a cash flow hedge to hedge merchandise procurement and sales. Changes in the fair value of these hedging instruments are recognised in other comprehensive income until the underlying transaction is recognised through profit or loss.

Effects from the currency translation of financial statements whose functional currency is not the reporting currency of METRO do not affect cash flows in local currency and are therefore not part of the sensitivity analysis.

As of the closing date, the remaining currency risk of METRO, which is essentially due to an inability to hedge certain currencies for legal reasons or due to insufficient market depth, was as follows:

€ million	Currency pair	Impact of devaluation/revaluation of euro by 10% Volume	30/9/2017	**Volume**	**30/9/2018**
Profit or loss for the period			+/-		**+/-**
	CHF / €	+15	2	**+11**	**1**
	CNY / €	+66	7	**+33**	**3**
	CZK / €	+8	1	**–17**	**–2**
	EGP / €	+22	2	**+29**	**3**
	GBP / €	–7	–1	**–7**	**–1**
	HKD / €	–16	–2	**–18**	**–2**
	KZT / €	+4	0	**+19**	**2**
	MDL / €	+7	1	**+1**	**0**
	PLN / €	+5	1	**+3**	**0**
	PKR / €	+16	2	**+4**	**0**
	RON / €	0	0	**-13**	**-1**
	RSD / €	+7	1	**+11**	**1**
	RUB / €	+93	9	**+12**	**1**
	TRY / €	+12	1	**+11**	**1**
	UAH / €	+38	4	**+37**	**4**
	USD / €	–30	–3	**+16**	**2**
Equity			+/-		**+/-**
	CNY / €	+99	10	**+101**	**10**
	CZK / €	-5	–1	**–4**	**0**
	HUF / €	-5	–1	**–4**	**0**
	KZT / €	+111	11	**+117**	**12**
	PLN / €	+65	7	**+68**	**7**
	RON / €	–6	–1	**–7**	**–1**
	RSD / €	+16	2	**+16**	**2**
	RUB / €	–20	–2	**–19**	**–2**
	UAH / €	+242	24	**+200**	**20**
	USD / €	+138	14	**+101**	**10**

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 volume measured in USD of €4 million (30/9/2017: €6 million), a devaluation of the US dollar by 10% would result in positive effects of €0 million in profit or loss for the period (2016/17: €1 million); conversely, a revaluation of the US dollar would have negative effects of €0 million (2016/17: €1 million).

With a nominal volume of €2 million (30/9/2017: €0 million), the currency pair MMK/USD accounts for the main share of this effect, while in the previous year the currency pair TRY/USD accounted for the largest share of this effect.

Interest rate and currency risks are substantially reduced and limited by the principles laid down in the internal treasury guidelines of METRO. These include a regulation that is applicable throughout the group, whereby all hedging operations must adhere to predefined limits and must not lead to increased risk exposure under any circumstances. METRO is aware that this severely limits the opportunities to exploit current or expected interest rate and exchange rate movements to optimise results.

In addition, hedging may be carried out only with standard financial derivative instruments whose correct actuarial and accounting mapping and valuation in the treasury system are guaranteed.

As of the closing date, the following derivative financial instruments were being used for risk reduction:

€ million	30/9/2017 Nominal volume[1]	30/9/2017 Fair values Financial assets	30/9/2017 Fair values Financial liabilities	**30/9/2018 Nominal volume[1]**	**30/9/2018 Fair values Financial assets**	**30/9/2018 Fair values Financial liabilities**
Currency transactions						
Currency futures/options	314	6	15	**390**	**11**	**5**
thereof within fair value hedges	(0)	(0)	(0)	**(0)**	**(0)**	**(0)**
thereof within cash flow hedges	(194)	(2)	(7)	**(164)**	**(4)**	**(1)**
thereof not part of hedges	(120)	(4)	(8)	**(226)**	**(7)**	**(4)**
Interest rate/currency swaps	0	0	0	**0**	**0**	**0**
thereof not part of hedges	(0)	(0)	(0)	**(0)**	**(0)**	**(0)**
	314	**6**	**15**	**390**	**11**	**5**

[1] Nominal volumes with a positive prefix indicate a purchase of forward currency contracts. Nominal volumes with a negative prefix indicate a disposal of forward currency contracts.

The nominal volume of forex futures/options and interest limitation agreements results from the net position of the buying and selling values in foreign currency underlying the individual transactions translated at the relevant exchange rate on the closing date. The nominal volume of interest rate swaps or interest rate/currency swaps and interest rate hedging agreements is shown on a gross basis.

All fair values represent the theoretical value of these instruments upon dissolution of the transaction on the closing date. Under the premise that instruments are held until the end of their term, these are unrealised gains and losses that, by the end of the term, will be fully set off by gains and losses from the underlying transactions in the case of fully effective hedging transactions.

In order to appropriately show this reconciliation for the period, relationships are created between hedging transactions and underlying transactions and recognised as follows:

- Within a fair value hedge, both the hedging transaction and the hedged risk of the underlying transaction are recognised at their fair value. The value fluctuations of both transactions are shown in the income statement, where they will be fully set off against each other in the case of full effectiveness.
- Within a cash flow hedge, the hedging transactions are also principally recognised at their fair value. In the case of full effectiveness of the hedging transaction, the value changes will be recognised in equity until the hedged payment flows or expected transactions impact the earnings. Only then will they be recognised in the income statement.
- Hedging transactions that, according to IAS 39, are not part of a hedge are recognised at their fair value. Value changes are recognised directly in the income statement. Even if no formal hedging relationship was created, these are hedging transactions that are closely connected to the underlying transaction and whose impact on earnings will be netted by the underlying transaction (natural hedge).

Currency derivatives are used primarily for Chinese renminbi, Hong Kong dollar, Japanese yen, Polish złoty, Romanian leu, Russian rouble, Swiss franc, Czech koruna, Hungarian forint and US dollar.

The derivative financial instruments have the following maturities:

	30/9/2017			**30/9/2018**		
	Fair values			**Fair values**		
	Maturities			**Maturities**		
€ million	up to 1 year	1 to 5 years	over 5 years	**up to 1 year**	**1 to 5 years**	**over 5 years**
Currency transactions						
Currency futures/options	–9	0	0	**6**	**0**	**0**
thereof within fair value hedges	(0)	(0)	(0)	**(0)**	**(0)**	**(0)**
thereof within cash flow hedges	(–5)	(0)	(0)	**(3)**	**(0)**	**(0)**
thereof not part of hedges	(–4)	(0)	(0)	**(3)**	**(0)**	**(0)**
Interest rate/currency swaps	0	0	0	**0**	**0**	**0**
thereof not part of hedges	(0)	(0)	(0)	**(0)**	**(0)**	**(0)**
	–9	**0**	**0**	**6**	**0**	**0**

Listed below the maturities are the fair values of the financial assets and liabilities that are due during these periods.

The repricing dates for variable interest rates are less than 1 year.

Liquidity risks

Liquidity risk describes the risk of being unable to procure or provide funding or being able to only procure or provide funding at a higher cost. Liquidity risks may arise, for example, as a result of temporary capital market disruptions, creditor defaults, insufficient credit facilities or the absence of budgeted incoming payments. METRO AG acts as financial coordinator for METRO companies to ensure that they are provided with the necessary financing to fund their operating and investing activities at all times and in the most cost-efficient manner possible. The necessary information is provided by means of a group financial plan, which is updated monthly and checked monthly for deviations. This financial plan is complemented by a weekly rolling 14-day liquidity plan.

Instruments used for financing purposes include money and capital market products (time deposits, call money, promissory note loans, commercial papers and listed bonds sold as part of ongoing capital market programmes) as well as bilateral and syndicated loans. METRO has a sufficient liquidity reserve so that there is no danger of liquidity risks even if an unexpected event has a negative financial impact on the company's liquidity situation. For more information about the instruments used for financing purposes and credit facilities, see the explanatory notes to the respective balance sheet items.

— **For more information see no. 30 – cash and cash equivalents as well as no. 37 – financial liabilities.**

Intra-group cash pooling allows the surplus liquidity of individual group companies to be used for providing internal finance to other group companies. This reduces the group's amount of debt and thus its interest expenses. In addition, METRO AG draws on the financial expertise pooled in the treasury of METRO AG to advise the group companies in all relevant financial matters and provide support. This ranges from the elaboration of investment financing concepts to supporting the responsible financial officers of the individual group companies in their discussions with local banks and financial service providers. This ensures, on the one hand, that the financial resources of METRO are optimally employed, and, on the other, that all group companies benefit from the strength and credit standing of METRO in negotiating their financing terms.

Credit risks

Credit risks arise from the total or partial default by a counterparty, for example, through bankruptcy or in connection with monetary investments and derivative financial instruments with positive market values. METRO's maximum default exposure as of the closing date is reflected by the carrying amount of financial assets totalling €2,558 million (30/9/2017: €3,102 million).

— **For more information about the amount of the respective carrying amounts, see no. 41 – carrying amounts and fair values according to measurement categories.**

Cash on hand considered in cash and cash equivalents totalling €25 million (30/9/2017: €55 million) is not exposed to any default risk.

As part of the risk management for financial investments in the total amount of €1,205 million (30/9/2017: €1,407 million) and derivative financial instruments in the total amount of €11 million (30/9/2017: €6 million), minimum creditworthiness requirements and individual maximum exposure limits for the engagement have been defined for all business partners of METRO. Cheques and money in circulation are not considered in the determination of creditworthiness risks. This is based on a system of limits laid down in the treasury guidelines, which are based mainly on the ratings of international rating agencies, developments of credit default swaps or internal credit assessments. An individual limit is allocated to every counterparty of METRO; compliance is constantly monitored by the treasury systems.

The following table shows a breakdown of counterparties by rating class:

Rating classes			Volume in %						
			Financial investments						
Grade	Standard & Poor's	Moody's	Germany	Western Europe excl. Germany	Russia	Eastern Europe excl. Russia	Asia and others	Derivatives with positive market values	**Total**
Investment grade	AAA	Aaa	0.0	0.0	0.0	0.0	0.0	0.0	
	AA+ to AA–	Aa1 to Aa3	1.3	0.5	1.3	0.0	3.8	0.0	
	A+ to A–	A1 to A3	1.6	2.0	0.0	8.2	34.9	0.4	
	BBB+ to BBB–	Baa1 to Baa3	30.9	0.6	0.6	9.6	1.8	0.1	**97.6**
Non-investment grade	BB+ to BB–	Ba1 to Ba3	0.0	0.0	0.0	0.1	0.0	0.0	
	B+ to B–	B1 to B3	0.1	0.0	0.0	1.2	0.2	0.0	
	CCC to C	Caa to C	0.0	0.0	0.0	0.0	0.0	0.0	**1.6**
No rating			0.0	0.3	0.0	0.1	0.4	0.0	**0.8**
			33.9	**3,4**	**1.9**	**19.2**	**41.1**	**0.5**	**100.00**

The table shows that, as of the closing date, about 98% of the capital investment volume, including the positive market value of derivatives, had been placed with investment-grade counterparties, in other words, those with good or very good credit ratings. Most of the counterparties that do not yet have an internationally accepted rating are respected financial institutions whose creditworthiness can be considered flawless based on analyses. METRO also operates in countries where local financial institutions do not have investment-grade ratings due to the rating of their country. For country-specific reasons as well as cost and efficiency considerations, cooperation with these institutions is unavoidable. These institutions account for about 0.8% of the total volume.

METRO's level of exposure to creditworthiness risks is thus very low.

Cash flow risks

A future change in interest rates may cause cash flow from variable interest rate asset and liability items to fluctuate. Stress tests are used to determine the potential impact interest rate changes may have on cash flow and how they can be capped through hedging transactions in accordance with the group's internal treasury guidelines.

45. Contingent liabilities

€ million	30/9/2017	**30/9/2018**
Liabilities from suretyships and guarantees	11	**9**
Liabilities from guarantee and warranty contracts	18	**63**
	28	**72**

Liabilities from guarantee and warranty contracts amount to €45 million (30/9/2017: €0 million), which are attributable to the discontinued operations. These concern a bank guarantee for claims from retailers in relation to business on the Real online marketplace.

The remaining liabilities from guarantee and warranty contracts are primarily rent guarantees with terms of up to 10 years if utilisation is not considered entirely unlikely.

46. Other financial liabilities

As of 30 September 2018, the nominal value of other financial liabilities amounted to €346 million (30/9/2017: €307 million) and primarily concerned purchasing commitments from service agreements.

Other financial liabilities include €99 million (30/9/2017: €120 million) attributable to the hypermarket business to be disposed of.

— **For more information about contractual commitments for the acquisition of other intangible assets and property, plant and equipment, obligations from finance and operating leases as well as investment properties, see no. 20 – other intangible assets, no. 21 – property, plant and equipment and no. 22 – investment properties.**

47. Remaining legal issues

Successful completion of the demerger

On 6 February 2017, the Annual General Meeting of the former METRO AG (registered in the commercial register of the Local Court in Düsseldorf under HRB 39473, today trading as CECONOMY AG) resolved to demerge the former METRO GROUP into 2 independent listed companies that are specialists in their respective market segment. A number of shareholders took legal action against the planned demerger of the group by seeking various legal remedies, such as action for annulment, rescission and/or declaratory action, including against the resolution passed by the Annual General Meeting of CECONOMY AG on 6 February 2017 concerning the meeting's approval of the demerger and spin-off agreement as well as against the agreement itself. Pursuant to the provisions of the demerger agreement, METRO AG must bear the costs of the litigation and proceedings relating to the demerger. In its judgements handed down on 24 January 2018, the Düsseldorf District Court dismissed all of these claims. Appeals have been filed against all of these decisions with the Düsseldorf Higher Regional Court (OLG Düsseldorf). The Düsseldorf Higher Regional Court has set a hearing for 21 February 2019. METRO AG maintains its position that all of these legal challenges are inadmissible and/or unfounded and has therefore not recognised corresponding risk positions in its accounts.

Further remaining legal issues

Companies of the METRO group form a party to judicial or arbitration proceedings in various European countries. Insofar as the liability has been sufficiently specified, appropriate risk provisions have been formed for these proceedings.

48. Events after the closing date

No events subject to mandatory disclosure occurred between the closing date (30 September 2018) and the date of preparing the annual financial statements (22 November 2018).

49. Notes on related parties

In financial year 2017/18, METRO maintained the following business relations to related companies:

€ million	2016/17	**2017/18**
Services provided	86	**8**
CECONOMY	83	**0**
Associates	0	**5**
Joint ventures	0	**3**
Miscellaneous related parties	3	**0**
Services received	107	**96**
CECONOMY	17	**0**
Associates	78	**78**
Joint ventures	0	**8**
Miscellaneous related parties	12	**10**
Receivables from services provided as of 30/9	11	**0**
CECONOMY	11	**0**
Associates	0	**0**
Joint ventures	0	**0**
Miscellaneous related parties	0	**0**
Liabilities from goods/services received as of 30/9	3	**1**
CECONOMY	3	**0**
Associates	0	**0**
Joint ventures	0	**0**
Miscellaneous related parties	0	**1**

Transactions with CECONOMY companies
METRO was engaged in business relationships with CECONOMY companies until 12 July 2017, the demerger effective date. These applied for the purposes of the consolidated financial statements until the demerger effective date, because METRO AG was until then controlled by the current CECONOMY AG. Accordingly, services received and benefits received from CECONOMY were included in the disclosures for the previous financial year 2016/17.

Transactions with associated companies and other related parties
The services received in the amount of €96 million (2016/17: €90 million) that METRO companies received from associates and miscellaneous related parties in financial year 2017/18 consisted mainly of real estate leases in the amount of €80 million (2016/17: €80 million), thereof €78 million from associates; (2016/17: €78 million) and in the amount of €16 million (2016/17: €10 million) for the rendering of services, thereof €8 million from joint ventures (2016/17: €0 million).

Other future financial obligations in the amount of €719 million (2016/17: €756 million): OPCI FWP France, OPCI FWS France, METRO Habib Pakistan and the Mayfair group.

In financial year 2017/18, METRO companies provided services to companies belonging to the group of associates and related parties in the amount of €8 million (2016/17: €3 million).

A dividend of €57 million has been paid out to a shareholder with significant influence.

Business relations with related parties are based on contractual agreements providing for arm's-length prices. As in financial year 2016/17, there were no business relations with related natural persons and companies of management in key positions in financial year 2017/18.

Related persons (compensation for management in key positions)
The management in key positions consists of members of the Management Board and the Supervisory Board of METRO AG.

Thus, the expenses for members of the Management Board of METRO AG amounted to €5.2 million for short-term benefits (2016/17: €5.5 million) and €7.0 million for termination and post-employment benefits (2016/17: €0.8 million) of which an amount of €6.1 million relates to termination benefits paid in financial year 2017/18. The expenses for existing compensation programmes with long-term incentive effect in financial year 2017/18, calculated in accordance with IFRS 2, amounted to €0.7 million (2016/17: €5.1 million).

The short-term compensation for the members of the Supervisory Board of METRO AG amounted to €2.2 million (2016/17: €1.5 million).

The total compensation for members of the Management Board in key positions in financial year 2017/18 amounted to €15.1 million (2016/17: €12.9 million).

— **For more information about the basic principles of the remuneration system and the amount of Management Board and Supervisory Board compensation, see no. 51 – Management Board and Supervisory Board.**

50. Long-term incentive for executives

Permissions for the wholesale business and METRO AG (MCC LTI)
The long-term incentive (MCC LTI) developed for the METRO Wholesale sales line in financial year 2015/16 was tailored specifically to the operating model. It was issued for the first time to senior executives and the management bodies of METRO Wholesale country companies in financial year 2015/16. In addition, it was granted pro rata temporis to the top executives of METRO AG in financial year 2016/17. The MCC LTI is a cyclical plan that is issued once every 3 years. The respective performance targets focus on value creation in the individual national subsidiaries and/or in the wholesale segment as a whole, as well as their sustained development and prospects. The performance period of the MCC LTI extends from 1 April 2016 to 31 March 2019. The individual target amounts are accumulated proportionally during this period. The final target amount that has been accumulated at the end of the performance period is based on the period of eligibility for the MCC LTI as well as the individual's position. According to the plan conditions, executives can be newly admitted to the circle of beneficiaries on a pro rata basis or be removed from the plan.

Permissions for the retail business unit (Real LTI)
In financial year 2016/17, the Real long-term incentive (Real LTI) was developed for the retail business segment. The authorised executives and senior executives of the retail business segment were eligible. The performance period started on 1 April 2017 and ends on 31 March 2020. The operating principles are based on the MCC LTI and are shown below.

OPERATING PRINCIPLES OF THE MCC AND REAL LTI

After the end of each performance period, the payout amount is determined by multiplying the respectively accumulated individual target amount with a total goal achievement factor. The goal achievement rate of this factor for both the past performance and future value components accounts for 45%; the remaining 10% are accounted for by the goal achievement rate of the sustainability component. The payout amount is capped and the total goal achievement factor cannot drop below 0. The relevant measure for the past performance and future value components for eligible executives at the METRO Wholesale national subsidiaries is the performance/value creation of the respective national subsidiary of METRO Wholesale. The relevant measure for the other eligible executives is the overall performance of the respective METRO Wholesale or Real sales line.

The **past performance component** rewards the achievement of internal economic target values and is determined on the basis of the EBITDA after special items generated cumulatively over financial years 2015/16 to 2017/18 for METRO Wholesale and 2016/17 to 2018/19 for Real. Separate target values for a goal achievement factor of 1.0 and 0.0, respectively, have been defined. In the case of intermediate values and values above 1.0, the factor for goal achievement is calculated using linear interpolation to 2 decimal places. The goal achievement factor for the past performance component cannot drop below 0 and is capped.

The **future value component** mirrors METRO Wholesale and Real's external valuation with respect to the expected future performance of the respective national subsidiary and each sales line as a whole from an analyst's perspective. For the purpose of target setting, the enterprise value of the respective sales line was determined on the basis of analyst valuations before the start of the performance period. It is determined again at the end of each performance period. The enterprise value of METRO Wholesale's national subsidiaries is derived from the enterprise values of the METRO Wholesale sales line. Separate target values for a goal achievement factor of 1.0 and 0.0, respectively, have been defined. In the case of intermediate values and values above 1.0, the factor for goal achievement is calculated using linear interpolation to 2 decimal places. The goal achievement factor for the future value component cannot drop below 0 and is capped.

Performance achievement for the **sustainability component** is determined on the basis of the average rating which METRO AG is awarded in an external corporate sustainability assessment during each performance period. In each year of the performance period, METRO AG participates in the Corporate Sustainability Assessment conducted by the independent service provider RobecoSAM. RobecoSAM AG uses this assessment to determine METRO AG's ranking within the industry group Food & Staples Retailing that is defined in accordance with the Global Industry Classification Standard (GICS). RobecoSAM AG will inform METRO AG of any changes in its sector classification. In case of material changes in the composition of companies or the ranking method, RobecoSAM AG can determine adequate comparable values.

The company's average ranking, rounded to whole numbers, is determined on the basis of the rankings communicated during each performance period. The factor for the sustainability component is determined in the following manner on the basis of the average of the performance period:

Average ranking (rounded)	Sustainability factor
1	3.00
2	2.50
3	2.00
4	1.50
5	1.25
6	1.00
7	0.75
8	0.50
9	0.25
Below rank 9	0.00

As of 30 September 2018, the target amount for the eligible group of persons was €26 million. The mentioned tranches of share-based payment programmes resulted in total expenses of €9 million (2016/17: €25 million).

The related provisions as of 30 September 2018 amount to €28 million (30 September 2017: €19 million).

51. Management Board and Supervisory Board

Remuneration of members of the Management Board in financial year 2017/18

The remuneration of the active members of the Management Board essentially consists of a fixed salary, a short-term performance-based remuneration component (short-term incentive and special bonuses), as well as the performance-based remuneration component with a long-term incentive effect (long-term incentive) granted in financial year 2017/18.

The short-term incentive for members of the Management Board is essentially determined by the development of financial performance targets related to that financial year and also considers the attainment of agreed-upon targets.

The remuneration of the active members of the Management Board in financial year 2017/18 amounted to €7.0 million (2016/17: €5.9 million). Of this amount, €3.7 million (2016/17: €1.1 million) were attributable to fixed salaries, €0.4 million (2016/17: €1.1 million) to the short-term performance-based remuneration, €2.7 million (2016/17: €3.7 million) to the share- and performance-based remuneration with long-term incentive effect and €0.2 million (2016/17: €0.02 million) to non-monetary and supplemental benefits.

The share- and performance-based remuneration component with long-term incentive effect granted in financial year 2017/18 (performance share plan) was recognised at fair value as of the date granted. The number of conditionally allocated performance shares for the members of the Management Board amounts to a total of 248,346.

In financial year 2017/18, value adjustments resulted from the current tranches of performance-based payment programmes with a long-term incentive effect. The company's expenses amounted to €0.12 million for Mr Koch, €0.06 million for Mr Baier, €0.03 million for Mr Boone, €0.09 million for Mr Hutmacher and €0.45 million for Mr Palazzi.

As of 30 September 2018, the provisions for the members of the Management Board totalled €1.79 million. Of this amount, €0.39 million was attributable to Mr Koch, €0.19 million to Mr Baier, €0.29 million to Mr Hutmacher and €0.92 million to Mr Palazzi.

Expenses and provisions were determined by external experts using a recognised financial mathematical procedure.

Total remuneration of former members of the Management Board

Former members of the Management Board of METRO AG received benefits in the amount of €6.2 million.

There are congruent, reinsured liabilities from pension provisions of €1.6 million towards former members of the Management Board.

— **The information released pursuant to § 314 section 1 no. 6a sentences 5 to 8 of the German Commercial Code can be found in chapter 6 remuneration report in the combined management report.**

Compensation of members of the Supervisory Board

The total compensation paid to all members of the Supervisory Board in financial year 2017/18 amounts to €2.2 million (2016/17: €0.8 million).

— **For more information about the compensation of the members of the Supervisory Board, see chapter 6 remuneration report in the combined management report.**

52. Auditor's fees for the financial year pursuant to § 314 Section 1 No. 9 of the German Commercial Code (HGB)

KPMG AG Wirtschaftsprüfungsgesellschaft invoiced total professional fees in the amount of €4.8 million for services rendered. €4.2 million of this amount were attributable to professional fees for the audit of the financial statements, €0.4 million to other assurance services and €0.2 million to other services. Only services that are consistent with the task of the auditor of the annual financial statements and consolidated financial statements of METRO AG were provided.

The fees for audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft relate to the audit of the consolidated financial statements and the annual financial statements of METRO AG as well as various annual audits and audits of IFRS reporting packages for inclusion in the METRO consolidated financial statements of its subsidiaries, including statutory order extensions. In addition, audit-integrated reviews of interim financial statements as well as project-related IT audits took place.

Other assurance services include contracted audits (for example sales lease agreements, compliance certificates, comfort letters, declaration of completeness of the packaging ordinance), a voluntary audit of the compliance management system and the sales tax compliance management system based on IDW PS 980, a voluntary audit of the corporate responsibility report as per ISAE 3000 and ISAE 3410, a business audit of the non-financial declaration, a limited assurance engagement of the IKS methods and the design of risk control matrices as per (ISAE 3000) and an audit of financial cash basis accounting.

The other services refer to fees for financial due diligences, for a consultancy project on accounting process optimisation, for project management support (without a managerial function) and a workshop on the German Transparency in Wage Structures Act.

53. Declaration of conformity with the German Corporate Governance Code

In September 2018, the Management Board and the Supervisory Board issued the annual declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG) concerning the recommendations of the Government Commission on the German Corporate Governance Code. The statement is published permanently on the website of METRO AG (www.metroag.de).

54. Election to be exempt from §§ 264 Section 3 and 264b of the German Commercial Code

The following domestic subsidiaries in the legal form of stock corporations or partnerships will use the exemption provisions according to § 264 Section 3 and § 264b of the German Commercial Code, and will thus refrain from preparing their annual financial statements for 2017 as well as mostly from preparing their notes and management report (according to the German Commercial Code).

a) Operating companies and service entities	
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf
N & NF Trading GmbH	Düsseldorf
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
real,- Handels GmbH	Düsseldorf
Hospitality Digital GmbH	Düsseldorf
METRO GROUP Accounting Center GmbH	Wörrstadt
METRO Innovations Holding GmbH	Düsseldorf
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf
METRO LOGISTICS Germany GmbH	Düsseldorf
real,- Group Holding GmbH	Düsseldorf
MGC METRO Group Clearing GmbH	Düsseldorf
Metro Finanzdienstleistungs Pensionen GmbH	Düsseldorf
real,- Digital Services GmbH	Düsseldorf
DAYCONOMY GmbH	Düsseldorf
Fulltrade International GmbH	Düsseldorf
METRO Beteiligungsmanagement Düsseldorf GmbH & Co. KG	Düsseldorf
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf
METRO Dienstleistungs-Holding GmbH	Düsseldorf
MGP METRO Group Account Processing GmbH	Kehl
METRO Re AG	Düsseldorf
METRO Advertising GmbH	Düsseldorf
real,- Holding GmbH	Düsseldorf
real,- Digital Fulfillment GmbH	Düsseldorf
METRO Travel Services GmbH	Düsseldorf
METRO Insurance Broker GmbH	Düsseldorf
METRO-nom GmbH	Düsseldorf
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden
NordRhein Trading GmbH	Düsseldorf
METRO Großhandelsgesellschaft mbH	Düsseldorf
Metro International Beteiligungs GmbH	Düsseldorf
real GmbH	Düsseldorf
METRO Deutschland GmbH	Düsseldorf
MGE Warenhandelsgesellschaft mbH	Düsseldorf
MGL METRO Group Logistics GmbH	Düsseldorf
real,- SB-Warenhaus GmbH	Düsseldorf
MCC Trading International GmbH	Düsseldorf
METRO Cash & Carry International GmbH	Düsseldorf
Meister feines Fleisch – feine Wurst GmbH	Gäufelden
Multi-Center Warenvertriebs GmbH	Düsseldorf
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf
MCC Trading Deutschland GmbH	Düsseldorf
Goldhand Lebensmittel- u. Verbrauchsgüter- Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf
Liqueur & Wine Trade GmbH	Düsseldorf
Johannes Berg GmbH, Weinkellerei	Düsseldorf
Weinkellerei Thomas Rath GmbH	Düsseldorf
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf
METRO FSD Holding GmbH	Düsseldorf
RUNGIS express GmbH	Meckenheim
Petit RUNGIS express GmbH	Meckenheim

CCG DE GmbH	Kelsterbach
cc delivery gmbh	Kelsterbach
HoReCa Investment Management GmbH	Düsseldorf
DISH Plus GmbH	Düsseldorf
HoReCa Komplementär GmbH	Düsseldorf
HoReCa Innovation I GmbH & Co. KG	Düsseldorf
HoReCa Investment I GmbH & Co. KG	Düsseldorf
HoReCa Strategic I GmbH & Co. KG	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf
MIP METRO Holding Management GmbH	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf
Markthalle GmbH	Düsseldorf
METRO Campus Services GmbH	Düsseldorf
METRO Hospitality Digital Holding GmbH	Düsseldorf
METRO Dritte Verwaltungs GmbH	Düsseldorf
METRO Vierte Verwaltungs GmbH	Düsseldorf
METRO Fünfte Verwaltungs GmbH	Düsseldorf
METRO Sechste Verwaltungs GmbH	Düsseldorf
METRO Siebte Verwaltungs GmbH	Düsseldorf
Hospitality Digital Services Germany GmbH	Düsseldorf
HoReCa Innovation I Carry GmbH & Co. KG	Düsseldorf
HoReCa Innovation I Team GmbH & Co. KG	Düsseldorf
HoReCa Investment I Carry GmbH & Co. KG	Düsseldorf
HoReCa Investment I Team GmbH & Co. KG	Düsseldorf
HoReCa Strategic I Carry GmbH & Co. KG	Düsseldorf
Hospitality.systems GmbH	Düsseldorf
Heim & Büro Versand GmbH	Nister
METRO Markets GmbH	Düsseldorf
real Digital Agency GmbH	Düsseldorf
b) Real estate companies	
METRO Leasing GmbH	Düsseldorf
METRO Asset Management Services GmbH	Düsseldorf
Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
ARKON Grundbesitzverwaltung GmbH	Düsseldorf
METRO PROPERTIES Holding GmbH	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Augsburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn 'Südring Center' KG	Düsseldorf
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG	Düsseldorf
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhausen KG	Düsseldorf
Blabert Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamm KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG	Düsseldorf
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf

GKF Vermögensverwaltungsgesellschaft mbH & Co. Arrondierungsgrundstücke KG	Düsseldorf
RUDU Verwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG	Düsseldorf
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG	Düsseldorf
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG	Düsseldorf
ASSET Zweite Immobilienbeteiligungen GmbH	Düsseldorf
AIB Verwaltungs GmbH	Düsseldorf
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG	Düsseldorf
DFI Verwaltungs GmbH	Düsseldorf
KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf
METRO Retail Real Estate GmbH	Düsseldorf
METRO Wholesale Real Estate GmbH	Düsseldorf
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf
Adolf Schaper GmbH & Co. Grundbesitz-KG	Düsseldorf
ASH Grundstücksverwaltung XXX GmbH	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover/Davenstedter Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG	Düsseldorf
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt-KG	Düsseldorf
METRO PROPERTIES GmbH & Co. KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf
MCC Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ludwigshafen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG	Düsseldorf
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH	Düsseldorf
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH & Co. Vermietungs-Kommanditgesellschaft	Düsseldorf
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf
Wolfgang Wirichs GmbH	Düsseldorf
Wirichs Immobilien GmbH	Düsseldorf
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Düsseldorf
BAUGRU Immobilien-Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG	Düsseldorf
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf
STW Grundstücksverwaltung GmbH	Düsseldorf
PIL Grundstücksverwaltung GmbH	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Moers KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Detmold KG	Düsseldorf
Metro Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf

Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf
MDH Secundus GmbH & Co. KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG	Düsseldorf
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf
Kaufhalle GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG	Düsseldorf
ASSET Immobilienbeteiligungen GmbH	Düsseldorf
ASSET Köln-Kalk GmbH	Düsseldorf
Horten Nürnberg GmbH	Düsseldorf
Metro International Beteiligungs GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Stralsund KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bitterfeld KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Nettetal KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Krefeld KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Aachen SB-Warenhaus KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Münster-Kinderhaus KG	Düsseldorf
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Bremen-Vahr KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Emden KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG	Düsseldorf
TIMUG Verwaltung GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekte Amberg und Landshut KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Göttingen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG	Düsseldorf
METRO Leasing Objekt Schwerin GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bannewitz KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV I KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hürth KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf
METRO Campus Services GmbH	Düsseldorf

55. Overview of the major fully consolidated group companies

Name	Registered office	Stake in %	Sales[1] in € million
Holding companies			
METRO AG	Düsseldorf, Germany		0
METRO Cash & Carry International GmbH	Düsseldorf, Germany	100.00	0
METRO Wholesale			
METRO Deutschland GmbH	Düsseldorf, Germany	100.00	4,451
METRO Cash & Carry France S.A.S.	Nanterre, France	100.00	4,204
METRO Cash & Carry OOO	Moscow, Russia	100.00	2,850
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	90.00	2,652
METRO Italia Cash and Carry S. p. A	San Donato Milanese, Italy	100.00	1,741
Makro Cash and Carry Polska S.A.	Warsaw, Poland	100.00	1,406
Makro Autoservicio Mayorista S. A. U.	Madrid, Spain	100.00	1,231
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	100.00	1,092
METRO CASH & CARRY ROMANIA SRL	Bucharest, Romania	100.00	1,084
Metro Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul, Turkey	100.00	1,000
METRO Distributie Nederland B. V.	Amsterdam, Netherlands	100.00	790
METRO Cash & Carry India Private Limited	Bangalore, India	100.00	776
METRO Cash & Carry Österreich GmbH	Vösendorf, Austria	73.00	768
Real			
real GmbH	Düsseldorf, Germany	100.00	7,083
Other companies			
METRO Sourcing International Limited	Hong Kong, China	100.00	27
METRO LOGISTICS Germany GmbH	Düsseldorf, Germany	100.00	0
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	92.90	0
METRO-nom GmbH	Düsseldorf, Germany	100.00	0
MIAG Commanditaire Vennootschap	Amsterdam, Netherlands	100.00	0

[1] Including consolidated national subsidiaries.

56. Corporate Boards of METRO AG and the mandates of their members

Members of the Supervisory Board[1]

Jürgen B. Steinemann (Chairman)
CEO of JBS Holding GmbH
a) Big Dutchman AG (Vice Chairman)
b) Bankiva B.V., Wezep, Netherlands – Supervisory Board (Chairman)
Barry Callebaut AG, Zurich, Switzerland – Board of Directors
Lonza Group AG, Basle, Switzerland – Board of Directors

Werner Klockhaus (Vice Chairman)
Chairman of the Group Works Council of METRO AG
Chairman of the General Works Council of Real GmbH (formerly Real SB-Warenhaus GmbH)
a) Hamburger Pensionskasse von 1905 Versicherungsverein auf Gegenseitigkeit
Real GmbH (formerly Real SB-Warenhaus GmbH) (Vice Chairman)
b) None

Stefanie Blaser
Since 16 February 2018
Chairwoman of the General Works Council of METRO PROPERTIES GmbH & Co. KG Saarbrücken
a) None
b) None

Herbert Bolliger
Since 16 February 2018
Self-employed business consultant
a) None
b) Amann Wine Group Holding SA, Zug, Switzerland – Board of Directors, since 3 September 2018
BNP Paribas (Suisse) AG, Geneva, Switzerland – Board of Directors
MTH Retail Group Holding GmbH, Vienna, Austria – Supervisory Board
Office World Holding AG (formerly OWiba AG), Bolligen, Switzerland – Board of Directors (Vice President)

Gwyn Burr
Member of the Board of Directors of Hammerson plc, London, United Kingdom
a) None
b) DFS Furniture Holdings plc, Doncaster, South Yorkshire, United Kingdom – Board of Directors, until 30 April 2018
Hammerson plc, London, United Kingdom – Board of Directors
Ingleby Farms and Forests ApS, Køge, Denmark – Board of Directors
Just Eat plc, London, United Kingdom – Board of Directors
Sainsbury's Bank plc, London, United Kingdom – Board of Directors
Taylor Wimpey plc, London, United Kingdom – Board of Directors, since 1 February 2018

Thomas Dommel
Chairman of the General Works Council of METRO LOGISTICS Germany GmbH
a) METRO LOGISTICS Germany GmbH (Vice Chairman)
b) None

Prof. Dr Edgar Ernst
President of the German Financial Reporting Enforcement Panel (FREP)
a) Deutsche Postbank AG, until 25 May 2018
TUI AG
Vonovia SE (Chairman, until 9 May 2018; Vice Chairman, since 9 May 2018)
b) None

[1] Status of the mandates: 22 November 2018.
a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 No. 5, 1st alt. of the German Stock Corporation Act (AktG).
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 No. 5, 2nd alt. of the German Stock Corporation Act (AktG).

Dr Florian Funck
Member of the Management Board of
Franz Haniel & Cie. GmbH
a) CECONOMY AG
TAKKT AG
Vonovia SE
b) None

Michael Heider
Deputy Chairman of the General Works Council of
METRO Deutschland GmbH
(formerly METRO Cash & Carry Deutschland GmbH)
Chairman of the Works Council of the
METRO Wholesale store Schwelm
a) METRO Großhandelsgesellschaft mbH
b) None

Andreas Herwarth
Until 16 February 2018
Commercial employee of METRO AG
a) None
b) None

Peter Küpfer
Self-employed business consultant
a) CECONOMY AG
b) AHRA AG (formerly Travel Charme Hotels & Resorts Holding AG), Zurich, Switzerland – Board of Directors (President)
AHRB AG, Zurich, Switzerland – Board of Directors (President)
ARH Resort Holding AG, Zurich, Switzerland – Board of Directors (President)
Breda Consulting AG, Zurich, Switzerland – Board of Directors (President)
Cambiata Ltd, Road Town, Tortola, British Virgin Islands – Board of Directors
Cambiata Schweiz AG, Zurich, Switzerland – Board of Directors
Gebr. Schmidt GmbH & Co. KG – Advisory Council
Lake Zurich Fund Exempt Company, George Town, Grand Cayman, Cayman Islands – Board of Directors
Supra Holding AG, Zug, Switzerland – Board of Directors

Susanne Meister
Member of the General Works Council of Real GmbH
(formerly Real SB-Warenhaus GmbH)
a) None
b) None

Dr Angela Pilkmann
Category Manager Food at Real GmbH
(formerly real,- SB-Warenhaus GmbH)
a) None
b) None

Mattheus P. M. (Theo) de Raad
Until 16 February 2018
Member of the Supervisory Board of HAL Holding N.V., Willemstad, Curaçao, Antilles
a) None
b) HAL Holding N.V., Willemstad, Curaçao, Antilles – Supervisory Board

Dr Fredy Raas
Managing Director of Beisheim Holding GmbH, Baar, Switzerland, and Beisheim Group GmbH & Co. KG
a) CECONOMY AG
b) ARISCO Holding AG, Baar, Switzerland – Board of Directors
Montana Capital Partners AG, Baar, Switzerland – Board of Directors, until 31 December 2018
HUWA Finanz- und Beteiligungs AG, Au, Switzerland – Board of Directors (President), since 23 October 2018

Xaver Schiller
Chairman of the General Works Council of
METRO Deutschland GmbH
(formerly METRO Cash & Carry Deutschland GmbH)
Chairman of the Works Council of the
METRO Wholesale store Munich-Brunnthal
a) METRO Großhandelsgesellschaft mbH (Vice Chairman)
b) None

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 No. 5, 1st alt. of the German Stock Corporation Act (AktG).
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 No. 5, 2nd alt. of the German Stock Corporation Act (AktG).

Eva-Lotta Sjöstedt
Self-employed business consultant
a) None
b) None

Dr Liliana Solomon
Chief Financial Officer of European Vacation Rentals Group at COMPASS IV LIMITED, London, United Kingdom
a) Scout24 AG (Vice Chairwoman, since 21 June 2018)
b) None

Alexandra Soto
Managing Director and Global Chief Operating Officer of Lazard Financial Advisory, Lazard & Co., Limited, London, United Kingdom
a) None
b) None

Angelika Will
Honorary Judge at the Federal Labour Court
Secretary of the Regional Association Board North Rhine-Westphalia of DHV – Die Berufsgewerkschaft e. V. (federal specialist group on trade)
a) CECONOMY AG, until 14 February 2018
b) None

Manfred Wirsch
Secretary of the National Executive Board of the Verdi trade union
Vereinte Dienstleistungsgewerkschaft e. V.
a) METRO Großhandelsgesellschaft mbH
b) None

Silke Zimmer
Secretary of the National Executive Board of the Verdi trade union
Vereinte Dienstleistungsgewerkschaft e. V.
a) None
b) None

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 No. 5, 1st alt. of the German Stock Corporation Act (AktG).
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 No. 5, 2nd alt. of the German Stock Corporation Act (AktG).

Committees of the Supervisory Board and their mandates[1]

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

Audit Committee
Prof. Dr Edgar Ernst (Chairman)
Werner Klockhaus (Vice Chairman)
Thomas Dommel
Dr Florian Funck
Dr Fredy Raas
Xaver Schiller

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

Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act
Jürgen B. Steinemann (Chairman)
Werner Klockhaus (Vice Chairman)
Prof. Dr Edgar Ernst
Xaver Schiller

[1] Status of the mandates: 22 November 2018.

Members of the Management Board[1]

Olaf Koch (Chairman)
a) Real GmbH (formerly Real SB-Warenhaus GmbH) (Chairman)
b) Hospitality Digital GmbH (formerly HoReCa Digital GmbH) – Advisory Board (Chairman)

Christian Baier (Chief Financial Officer)
a) METRO Großhandelsgesellschaft mbH
b) Hospitality Digital GmbH (formerly HoReCa Digital GmbH) – Advisory Board
METRO Cash & Carry International Holding GmbH, Vösendorf, Austria – Supervisory Board (Chairman)
METRO Holding France S.A., Vitry-sur-Seine, France – Board of Directors
METRO RE AG – Supervisory Board (Chairman)

Pieter C. Boone (Chief Operating Officer)
Until 7 May 2018
a) None
b) None

Heiko Hutmacher (Chief Human Resources Officer and Labour Director)
a) METRO Großhandelsgesellschaft mbH
Real GmbH (formerly Real SB-Warenhaus GmbH)
METRO-NOM GmbH
(formerly METRO SYSTEMS GmbH) (Chairman)
b) None

Philippe Palazzi (Chief Operating Officer)
Member of the Management Board since 7 May 2018
a) None
b) Hospitality Digital GmbH – Advisory Board
METRO Holding France S.A., Vitry-sur-Seine, France – Board of Directors (Chairman)
METRO FSD France S.A.S., Rungis, France – Board of Directors (Chairman)
METRO Wholesale Myanmar Ltd., Yangon, Myanmar – Supervisory Board
Classic Fine Foods Netherlands B.V., Amsterdam, Netherlands – Board of Directors

[1] Status of the mandates: 22 November 2018.
a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 No. 5, 1st alt. of the German Stock Corporation Act (AktG).
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 No. 5, 2nd alt. of the German Stock Corporation Act (AktG).

57. Affiliated companies of the METRO AG group as of 30 September 2018 pursuant to § 313 of the German Commercial Code

Name	Registered office	Country	Share in capital in %
Consolidated subsidiaries			
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf	Germany	100.00
ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Adolf Schaper GmbH & Co. Grundbesitz-KG	Düsseldorf	Germany	100.00
AIB Verwaltungs GmbH	Düsseldorf	Germany	100.00
ARKON Grundbesitzverwaltung GmbH	Düsseldorf	Germany	100.00
ASH Grundstücksverwaltung XXX GmbH	Düsseldorf	Germany	100.00
ASSET Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00
ASSET Köln-Kalk GmbH	Düsseldorf	Germany	100.00
ASSET Zweite Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00
Aubepine SARL	Châlette-sur-Loing	France	100.00
Avilo Marketing Gesellschaft m. b. H.	Vösendorf	Austria	100.00
BAUGRU Immobilien-Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG	Düsseldorf	Germany	100.00
Beijing Weifa Trading & Commerce Co. Ltd.	Beijing	China	100.00
Blabert Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	94.00
cc delivery gmbh	Meckenheim	Germany	100.00
CCG DE GmbH	Kelsterbach	Germany	100.00
CJSC METRO Management Ukraine	Kiev	Ukraine	100.00
Classic Coffee & Beverage Sdn Bhd	Kuala Lumpur	Malaysia	100.00
Classic Fine Foods (Hong Kong) Limited	Hong Kong	China	100.00
Classic Fine Foods (Macau) Ltd	Macao	China	99.80
Classic Fine Foods (Singapore) Private Limited	Singapore	Singapore	100.00
Classic Fine Foods (Thailand) Company Limited	Bangkok	Thailand	100.00
Classic Fine Foods (Thailand) Holding Company Limited	Bangkok	Thailand	49.00
Classic Fine Foods (Vietnam) Limited	Ho Chi Minh City	Vietnam	100.00
Classic Fine Foods China Holdings Limited	Hong Kong	China	100.00
Classic Fine Foods China Trading Limited	Hong Kong	China	100.00
Classic Fine Foods EM LLC	Abu Dhabi	United Arab Emirates	50.00
Classic Fine Foods group Limited	London	United Kingdom	100.00
Classic Fine Foods Holdings Limited	London	United Kingdom	100.00
Classic Fine Foods Japan Holdings	Tokyo	Japan	100.00
Classic Fine Foods Macau Holding Limited	Hong Kong	China	100.00
Classic Fine Foods Netherlands BV	Schiphol	Netherlands	100.00
Classic Fine Foods Philippines Inc.	Makati	Philippines	100.00
Classic Fine Foods Rungis SAS	Rungis	France	100.00
Classic Fine Foods Sdn Bhd	Kuala Lumpur	Malaysia	100.00
Classic Fine Foods UK Limited	London	United Kingdom	100.00
Classic Fine Foodstuff Trading LLC	Abu Dhabi	United Arab Emirates	49.00
Concarneau Trading Office SAS	Concarneau	France	100.00
COOL CHAIN GROUP PL Sp. z o.o.	Cracow	Poland	100.00
Culinary Agents Italia s.r.l.	San Donato Milanese	Italy	100.00
Dalian Metro Warehouse Management Co., Ltd.	Dalian	China	100.00
DAYCONOMY GmbH	Düsseldorf	Germany	100.00
Deelnemingmaatschappij Arodema B.V.	Amsterdam	Netherlands	100.00
Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf	Germany	100.00
DFI Verwaltungs GmbH	Düsseldorf	Germany	100.00
Dinghao Foods (Shanghai) Co. Ltd.	Shanghai	China	100.00
DISH Plus GmbH	Düsseldorf	Germany	100.00
Doxa Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach KG	Mainz	Germany	0.00[1]
Etablissements Blin SAS	Saint-Gilles	France	100.00
Fideco AG	Courgevaux	Switzerland	100.00
French F&B (Japan) Co., Ltd.	Tokyo	Japan	93.83
Freshly CR s.r.o.	Prague	Czech Republic	100.00
Fulltrade International GmbH	Düsseldorf	Germany	100.00
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf	Germany	100.00

Name	Registered office	Country	Share in capital in %
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH & Co. Vermietungs-Kommanditgesellschaft	Düsseldorf	Germany	100.00
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf	Germany	100.00
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG	Düsseldorf	Germany	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Bremen-Vahr KG	Düsseldorf	Germany	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Emden KG	Düsseldorf	Germany	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG	Düsseldorf	Germany	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG	Düsseldorf	Germany	94.90
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhausen KG	Düsseldorf	Germany	94.00
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Arrondierungsgrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Aachen SB-Warenhaus KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bannewitz KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bitterfeld KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Göttingen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamm KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover/Davenstedter Straße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hürth KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Krefeld KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV I KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Münster-Kinderhaus KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Nettetal KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn 'Südring Center' KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Stralsund KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekte Amberg und Landshut KG	Düsseldorf	Germany	94.90
Goldhand Lebensmittel- u. Verbrauchsgüter- Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf	Germany	100.00
GrandPari Limited Liability Company	Moscow	Russia	100.00
Heim & Büro Versand GmbH	Nister	Germany	100.00

Name	Registered office	Country	Share in capital in %
HoReCa Innovation I Carry GmbH & Co. KG	Düsseldorf	Germany	3.36[1]
HoReCa Innovation I GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Innovation I Team GmbH & Co. KG	Düsseldorf	Germany	42.48[1]
HoReCa Investment I Carry GmbH & Co. KG	Düsseldorf	Germany	3.63[1]
HoReCa Investment I GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Investment I Team GmbH & Co. KG	Düsseldorf	Germany	46.90[1]
HoReCa Investment Management GmbH	Düsseldorf	Germany	100.00
HoReCa Komplementär GmbH	Düsseldorf	Germany	100.00
HoReCa Strategic I Carry GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Strategic I GmbH & Co. KG	Düsseldorf	Germany	100.00
Horten Nürnberg GmbH	Düsseldorf	Germany	100.00
Hospitality Digital France SAS	Paris	France	100.00
Hospitality Digital GmbH	Düsseldorf	Germany	100.00
Hospitality Digital Services Austria GmbH	Vienna	Austria	100.00
Hospitality Digital Services Germany GmbH	Düsseldorf	Germany	100.00
Hospitality.systems GmbH	Düsseldorf	Germany	100.00
ICS METRO Cash & Carry Moldova S.R.L.	Chişinău	Moldova	100.00
Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf	Germany	90.24
Inpakcentrale ICN B.V.	Duiven	Netherlands	100.00
Johannes Berg GmbH, Weinkellerei	Düsseldorf	Germany	100.00
Kaufhalle GmbH	Düsseldorf	Germany	100.00
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf	Germany	100.00
Klassisk Group (S) Pte. Ltd.	Singapore	Singapore	100.00
Klassisk Investment Limited	Hong Kong	China	97.07
KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf	Germany	100.00
Liqueur & Wine Trade GmbH	Düsseldorf	Germany	100.00
LLC Ukrainian Wholesale Trade Company	Kiev	Ukraine	100.00
Makro Autoservicio Mayorista S. A. U.	Madrid	Spain	100.00
MAKRO Cash & Carry Belgium NV	Wommelgem	Belgium	100.00
MAKRO Cash & Carry CR s.r.o.	Prague	Czech Republic	100.00
Makro Cash & Carry Egypt LLC	Cairo	Egypt	100.00
Makro Cash & Carry Portugal S.A.	Lisbon	Portugal	100.00
Makro Cash & Carry UK Holding Limited	Manchester	United Kingdom	100.00
Makro Cash and Carry Polska S.A.	Warsaw	Poland	100.00
Makro Ltd.	Manchester	United Kingdom	100.00
Makro Pension Trustees Ltd.	Manchester	United Kingdom	100.00
Markthalle GmbH	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Augsburg KG	Düsseldorf	Germany	94.90
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf	Germany	100.00
MCC Trading Deutschland GmbH	Düsseldorf	Germany	100.00
MCC Trading International GmbH	Düsseldorf	Germany	100.00
MCC Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ludwigshafen KG	Düsseldorf	Germany	94.90
MCCAP Holding GmbH	Vienna	Austria	100.00
MCCI Asia Pte. Ltd.	Singapore	Singapore	100.00
MDH Secundus GmbH & Co. KG	Düsseldorf	Germany	100.00
Meister feines Fleisch – feine Wurst GmbH	Gäufelden	Germany	100.00
METRO (Changchun) Property Service Co. Ltd.	Changchun	China	100.00
METRO Advertising GmbH	Düsseldorf	Germany	100.00
METRO Advertising Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	100.00
METRO Asset Management Services GmbH	Düsseldorf	Germany	100.00
METRO Beteiligungsmanagement Düsseldorf GmbH & Co. KG	Düsseldorf	Germany	100.00
METRO Campus Services GmbH	Düsseldorf	Germany	100.00
METRO Cash & Carry Bulgaria EOOD	Sofia	Bulgaria	100.00
METRO Cash & Carry Central Asia Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry d.o.o.	Zagreb	Croatia	100.00
METRO Cash & Carry d.o.o.	Belgrade	Serbia	100.00
Metro Cash & Carry Danmark ApS	Glostrup	Denmark	100.00
Metro Cash & Carry France et Cie	Monaco	Monaco	100.00
METRO Cash & Carry France S.A.S.	Nanterre	France	100.00

Name	Registered office	Country	Share in capital in %
Metro Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO Cash & Carry Import Limited Liability Company	Noginsk	Russia	100.00
METRO Cash & Carry India Private Limited	Bangalore	India	100.00
METRO Cash & Carry International GmbH	Düsseldorf	Germany	100.00
METRO Cash & Carry International Holding B. V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry International Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry Japan KK	Tokyo	Japan	100.00
METRO Cash & Carry Myanmar Holding GmbH	Vienna	Austria	100.00
Metro Cash & Carry Nederland B.V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry OOO	Moscow	Russia	100.00
METRO Cash & Carry Österreich GmbH	Vösendorf	Austria	73.00
METRO CASH & CARRY ROMANIA SRL	Bucharest	Romania	100.00
METRO Cash & Carry Russia N.V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00
METRO Cash & Carry TOO	Almaty	Kazakhstan	100.00
METRO Cash & Carry Ukraine Ltd.	Kiev	Ukraine	100.00
Metro Cash & Carry Wines	Hyderabad	India	99.99
METRO Central East Europe GmbH	Vienna	Austria	100.00
METRO Delivery service NV	Puurs	Belgium	100.00
METRO Deutschland GmbH	Düsseldorf	Germany	100.00
METRO Dienstleistungs-Holding GmbH	Düsseldorf	Germany	100.00
METRO Distributie Nederland B. V.	Amsterdam	Netherlands	100.00
METRO DOLOMITI S.p.A.	San Donato Milanese	Italy	100.00
METRO Dritte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO FIM S.p.A.	Cinisello Balsamo	Italy	100.00
METRO Finance B. V.	Venlo	Netherlands	100.00
Metro Finanzdienstleistungs Pensionen GmbH	Düsseldorf	Germany	100.00
Metro France Immobiliere S. à. r. l.	Nanterre	France	100.00
METRO FSD France S.A.S.	Rungis	France	100.00
METRO FSD Holding GmbH	Düsseldorf	Germany	100.00
METRO Fünfte Verwaltungs GmbH	Düsseldorf	Germany	100.00
Metro Global Business Services Private Limited	Pune	India	100.00
Metro Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul	Turkey	100.00
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf	Germany	100.00
METRO Großhandelsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO GROUP Accounting Center GmbH	Wörrstadt	Germany	100.00
METRO Group Asset Management B.V.	Amsterdam	Netherlands	100.00
METRO Group Asset Management Ukraine, Limited Liability Company	Kiev	Ukraine	100.00
METRO Group Commerce (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO GROUP COMMERCE LIMITED	Hong Kong	China	100.00
METRO Group Properties SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00
Metro Group Real Estate Private Limited Company	Karachi	Pakistan	99.75
METRO Group Retail Real Estate Romania S.R.L.	Voluntari	Romania	100.00
METRO Group Wholesale Real Estate Bulgaria EOOD	Sofia	Bulgaria	100.00
METRO Habib Cash & Carry Pakistan (Private) Limited	Karachi	Pakistan	100.00
Metro Holding France S. A.	Vitry-sur-Seine	France	100.00
METRO Hospitality Digital Holding GmbH	Düsseldorf	Germany	100.00
METRO Innovations Holding GmbH	Düsseldorf	Germany	100.00
METRO Insurance Broker GmbH	Düsseldorf	Germany	100.00
METRO International AG	Baar	Switzerland	100.00
Metro International Beteiligungs GmbH	Düsseldorf	Germany	100.00
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf	Germany	100.00
METRO Italia Cash and Carry S. p. A.	San Donato Milanese	Italy	100.00
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai	China	90.00
METRO Kereskedelmi Kft.	Budaörs	Hungary	100.00
METRO Leasing GmbH	Düsseldorf	Germany	100.00
METRO Leasing Objekt Schwerin GmbH	Düsseldorf	Germany	100.00
METRO LOGISTICS Germany GmbH	Düsseldorf	Germany	100.00
METRO Logistics Polska sp. z o.o.	Warsaw	Poland	100.00
METRO Management EOOD	Sofia	Bulgaria	100.00
METRO Markets GmbH	Düsseldorf	Germany	100.00
METRO North Warehouse Management (Chongqing) Co. Ltd.	Chongqing	China	100.00

Name	Registered office	Country	Share in capital in %
Metro Properties B.V.	Amsterdam	Netherlands	100.00
METRO Properties CR s.r.o.	Prague	Czech Republic	100.00
METRO Properties Enterprise Management Consulting (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO PROPERTIES France SAS	Nanterre	France	100.00
Metro Properties Gayrimenkul Yatirim A.Ş.	Istanbul	Turkey	100.00
METRO PROPERTIES GmbH & Co. KG	Düsseldorf	Germany	92.90
METRO PROPERTIES Holding GmbH	Düsseldorf	Germany	100.00
METRO PROPERTIES Management GmbH	Düsseldorf	Germany	66.67
METRO Properties Real Estate Management Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	100.00
METRO PROPERTIES Sp. z o.o.	Warsaw	Poland	100.00
Metro Property Management (Changsha) Co., Ltd.	Changsha	China	100.00
METRO Property Management (Changshu) Co. Ltd.	Changshu	China	100.00
Metro Property Management (Changzhou) Co. Ltd.	Changzhou	China	100.00
Metro Property Management (Cixi) Co., Limited	Cixi	China	100.00
Metro Property Management (Dongguan) Co. Ltd.	Dongguan	China	100.00
Metro Property Management (Hangzhou) Company Limited	Hangzhou	China	100.00
METRO Property Management (Harbin) Co. Ltd.	Harbin	China	100.00
METRO Property Management (Huai'an) Co., Ltd.	Huai'an	China	100.00
Metro Property Management (Jiangyin) Company Limited	Jiangyin	China	100.00
Metro Property Management (Jiaxing) Co. Ltd.	Jiaxing	China	100.00
Metro Property Management (Kunshan) Co. Ltd.	Suzhou	China	100.00
METRO Property Management (Nanchang Qingshanhu) Co. Ltd.	Nanchang	China	100.00
Metro Property Management (Nantong) Co. Ltd.	Nantong	China	100.00
Metro Property Management (Qingdao) Company Limited	Qingdao	China	100.00
METRO Property Management (Shenyang) Co. Ltd.	Shenyang	China	100.00
METRO Property Management (Shenzhen) Co. Ltd.	Shenzhen	China	100.00
Metro Property Management (Suzhou) Co., Ltd.	Suzhou	China	100.00
METRO Property Management (Tianjin Hongqiao) Co., Ltd.	Tianjin	China	100.00
METRO Property Management (Weifang) Co. Ltd.	Weifang	China	100.00
METRO Property Management (Wuhu) Co. Ltd.	Wuhu	China	100.00
METRO Property Management (Xi'an) Co., Ltd.	Xi'an	China	100.00
METRO Property Management (Xiamen) Co., Ltd.	Xiamen	China	100.00
METRO Property Management (Xiangyang) Co. Ltd.	Xiangyang	China	100.00
METRO Property Management (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	100.00
Metro Property Management (Zhengzhou) Co., Ltd.	Zhengzhou	China	100.00
METRO Property Management (Zhongshan) Co. Limited	Zhongshan	China	100.00
METRO Property Management Wuxi Co. Ltd.	Wuxi	China	100.00
METRO Re AG	Düsseldorf	Germany	100.00
METRO Real Estate Ltd.	Zagreb	Croatia	100.00
METRO Retail Real Estate GmbH	Düsseldorf	Germany	100.00
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar	Germany	100.00
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden	Germany	100.00
METRO Sechste Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Services PL spółka z ograniczoną odpowiedzialnością	Szczecin	Poland	100.00
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf	Germany	100.00
METRO Siebte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Sourcing (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO Sourcing International Limited	Hong Kong	China	100.00
METRO South East Asia Holding GmbH	Vienna	Austria	100.00
Metro Systems Romania S.R.L.	Bucharest	Romania	100.00
METRO Systems Ukraine LLC	Kiev	Ukraine	100.00
METRO Travel Services GmbH	Düsseldorf	Germany	100.00
METRO Vierte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Warehouse Management (Chongqing) Co. Ltd.	Chongqing	China	100.00
Metro Warehouse Management (Hangzhou) Co. Ltd.	Hangzhou	China	100.00
METRO Warehouse Management (Suzhou) Co. Ltd.	Suzhou	China	100.00
Metro Warehouse Management (Taizhou) Co. Ltd	Taizhou	China	100.00
Metro Warehouse Management (Wuhan) Co. Ltd.	Wuhan	China	100.00
Metro Warehouse Management (Yantai) Co., Limited	Yantai	China	100.00
METRO Warehouse Management (Zibo) Co., Ltd.	Zibo	China	100.00
Metro Warehouse Noginsk Limited Liability Company	Noginsk	Russia	100.00
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf	Germany	100.00
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf	Germany	100.00

Name	Registered office	Country	Share in capital in %
Metro Wholesale Myanmar Ltd.	Rangoon	Myanmar	85.00
METRO Wholesale Real Estate GmbH	Düsseldorf	Germany	100.00
METRO-nom GmbH	Düsseldorf	Germany	100.00
MGB METRO Group Buying RUS OOO	Moscow	Russia	100.00
MGB METRO Group Buying TR Satinalma Ticaret Limited Sirketi	Istanbul	Turkey	100.00
MGC METRO Group Clearing GmbH	Düsseldorf	Germany	100.00
MGE Warenhandelsgesellschaft mbH	Düsseldorf	Germany	100.00
MGL METRO Group Logistics Bulgaria LTD	Sofia	Bulgaria	100.00
MGL METRO Group Logistics GmbH	Düsseldorf	Germany	100.00
MGL METRO Group Logistics Limited Liability Company	Noginsk	Russia	100.00
MGL METRO Group Logistics Polska Sp. z o.o. i Spólka Sp.k.	Warsaw	Poland	99.83
MGL METRO GROUP LOGISTICS UKRAINE LLC	Kiev	Ukraine	100.00
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf	Germany	100.00
MGP METRO Group Account Processing GmbH	Kehl	Germany	100.00
MGP METRO Group Account Processing International AG	Baar	Switzerland	100.00
MIAG Asia Co. Ltd.	Hong Kong	China	100.00
MIAG Commanditaire Vennootschap	Amsterdam	Netherlands	100.00
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf	Germany	100.00
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf	Germany	100.00
MIP METRO Holding Management GmbH	Düsseldorf	Germany	100.00
MP Gayrimenkul Yönetim Hizmetleri Anonim Şirketi	Istanbul	Turkey	100.00
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG	Düsseldorf	Germany	100.00
Multi-Center Warenvertriebs GmbH	Düsseldorf	Germany	100.00
My Mart (China) Trading Co., Ltd.	Guangzhou	China	100.00
My Mart (Shanghai) Trading Co. Ltd.	Shanghai	China	100.00
N & NF Trading GmbH	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Detmold KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Moers KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG	Düsseldorf	Germany	100.00
NordRhein Trading GmbH	Düsseldorf	Germany	100.00
Petit RUNGIS express GmbH	Meckenheim	Germany	100.00
PIL Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00
Pro à Pro Distribution Export SAS	Montauban	France	100.00
Pro à Pro Distribution Nord SAS	Châlette-sur-Loing	France	100.00
Pro à Pro Distribution Sud SAS	Montauban	France	100.00
PT Classic Fine Foods Indonesia	North Jakarta	Indonesia	100.00
Qingdao Metro Warehouse Management Co. Ltd.	Qingdao	China	100.00
real Digital Agency GmbH	Düsseldorf	Germany	100.00
Real Estate Management Misr Limited Liability Company	Cairo	Egypt	100.00
real GmbH	Düsseldorf	Germany	100.00
real,- Digital Fulfillment GmbH	Düsseldorf	Germany	100.00
real,- Digital Services GmbH	Düsseldorf	Germany	100.00
real,- Group Holding GmbH	Düsseldorf	Germany	100.00
real,- Handels GmbH	Düsseldorf	Germany	100.00
real,- Holding GmbH	Düsseldorf	Germany	100.00
real,- SB-Warenhaus GmbH	Düsseldorf	Germany	100.00
Remo Zaandam B.V.	Zaandam	Netherlands	100.00
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Retail Property 5 Limited Liability Company	Moscow	Russia	100.00
Retail Property 6 Limited Liability Company	Moscow	Russia	100.00
R'express Alimentos Unipersonal LDA	Lisbon	Portugal	100.00
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gerlingen KG	Düsseldorf	Germany	94.00 [1]
Rotterdam Trading Office B.V.	Amsterdam	Netherlands	100.00
RUDU Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
RUNGIS express GmbH	Meckenheim	Germany	100.00
RUNGIS express SPAIN SL	Palma de Mallorca	Spain	100.00
RUNGIS express Suisse Holding AG	Courgevaux	Switzerland	100.00
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG	Düsseldorf	Germany	100.00
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00

Name	Registered office	Country	Share in capital in %
Sentinel GCC Holdings Limited	Tortola	British Virgin Islands	100.00
Servicios de Distribución a Horeca Organizada, S.L.	Madrid	Spain	100.00
Sezam XVI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Warsaw	Poland	100.00
Shanghai Xinqing Property Management Co., Ltd.	Shanghai	China	90.00
Shenzhen Hemaijia Trading Co. Ltd.	Shenzhen	China	100.00
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf	Germany	100.00
Sinco Großhandelsgesellschaft m. b. H.	Vösendorf	Austria	73.00
Sociedad Ibérica Restaurantes de Tecnología Avanzada S. A. U.	Madrid	Spain	100.00
Sodeger SAS	Château-Gontier	France	100.00
Star Farm (Shanghai) Agriculture Information Consulting Company Limited	Shanghai	China	100.00
Star Farm Pakistan Pvt. Ltd.	Lahore	Pakistan	100.00
STW Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00
TIMUG GmbH & Co. Objekt Homburg KG	Düsseldorf	Germany	0.00[1]
TIMUG Verwaltung GmbH	Düsseldorf	Germany	100.00
Transpro France SARL	Montauban	France	100.00
Transpro SAS	La Possession	France	100.00
VALENCIA TRADING OFFICE, S.L.	Madrid	Spain	100.00
Weinkellerei Thomas Rath GmbH	Düsseldorf	Germany	100.00
Western United Finance Company Limited	London	United Kingdom	100.00
Wholesale Real Estate Belgium N.V.	Wommelgem	Belgium	100.00
Wholesale Real Estate Poland Sp. z o.o.	Warsaw	Poland	100.00
Wirichs Immobilien GmbH	Düsseldorf	Germany	100.00
Wolfgang Wirichs GmbH	Düsseldorf	Germany	100.00
WRE Real Estate Limited Liability Partnership	Almaty	Kazakhstan	100.00
Xi'an METRO Commercial and Trading Company Limited	Xi'an	China	100.00
Xinsheng Property Management (Shanghai) Co., Ltd.	Shanghai	China	90.00
Xinyan Property Management (Shanghai) Co., Ltd.	Shanghai	China	90.00
Yugengaisha MIAG Japan	Tokyo	Japan	100.00
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG	Düsseldorf	Germany	100.00
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG	Düsseldorf	Germany	100.00
Joint ventures			
CABI-SFPK JV	Lahore	Pakistan	48.00
Intercompra LDA	Lisbon	Portugal	50.00
MAXXAM B.V.	Ede	Netherlands	16.67
MAXXAM C.V.	Ede	Netherlands	16.67
MEC METRO-ECE Centermanagement GmbH & Co. KG	Düsseldorf	Germany	50.00
MEC METRO-ECE Centermanagement Verwaltungs GmbH	Düsseldorf	Germany	50.00
METSPA Beszerzési és Kereskedelmi Kft.	Budaörs	Hungary	33.33
METSPA d.o.o. za trgovinu	Zagreb	Croatia	50.00
Investments accounted for using the equity method			
EKS Handelsgesellschaft mbH	Salzburg	Austria	15.00
EKS Handelsgesellschaft mbH & Co. KG	Salzburg	Austria	15.00
European EPC Competence Center GmbH	Cologne	Germany	30.00
Fachmarktzentrum Essen GmbH & Co. KG	Pullach im Isartal	Germany	94.00[2]
Gourmet F&B Korea Ltd.	Seoul	South Korea	28.00
Habib METRO Pakistan (Pvt) Ltd	Karachi	Pakistan	40.00
Helm Wohnpark Lahnblick GmbH	Aßlar	Germany	25.00
HOSPITALITY.digital, Inc.	Wilmington	USA	100.00[2]
Iniziative Methab s.r.l.	Bolzano	Italy	50.00
Kato S.à r.l.	Luxembourg	Luxembourg	5.10
Mayfair GP S.à r.l.	Luxembourg	Luxembourg	40.00
Mayfair Holding Company S.C.S.	Luxembourg	Luxembourg	39.99
Napier S.à r.l.	Luxembourg	Luxembourg	5.10
OPCI FRENCH WHOLESALE PROPERTIES – FWP	Paris	France	5.00
OPCI FRENCH WHOLESALE STORES – FWS	Paris	France	25.00
Peter Glinicke Grundstücks-GmbH & Co. KG	Pullach im Isartal	Germany	50.00
Quadrant S.à r.l.	Luxembourg	Luxembourg	5.10
Sabra S.à r.l.	Luxembourg	Luxembourg	5.10
Tatra S.à r.l.	Luxembourg	Luxembourg	5.10
Upton S.à r.l.	Luxembourg	Luxembourg	5.10

Name	Registered office	Country	Share in capital in %
Wilcox S.à r.l.	Luxembourg	Luxembourg	5.10
Xiali S.à r.l.	Luxembourg	Luxembourg	5.10
Zagato S.à r.l.	Luxembourg	Luxembourg	5.10
Zender S.à r.l.	Luxembourg	Luxembourg	5.10
Investments			
Culinary Agents Inc.	Wilmington	USA	18.33
Diehl & Brüser Handelskonzepte GmbH	Düsseldorf	Germany	100.00[3]
eVentures Growth, L.P.	Wilmington	USA	5.00
Horizon Achats SARL	Paris	France	8.00
Horizon Appels d'Offres SARL	Paris	France	8.00
Metro plus Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	Germany	20.00[4]
orderbird AG	Berlin	Germany	14.18
Patagona GmbH	Darmstadt	Germany	13.28
Planday A/S	Copenhagen	Denmark	11.74
QUANTIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Schönefeld	Germany	6.00
real,- Digital Payment & Technology Services GmbH	Düsseldorf	Germany	100.00[3]
Retail Media Group GmbH	Düsseldorf	Germany	24.99
RTG Retail Trade Group GmbH	Hamburg	Germany	16.67
Shore GmbH	Munich	Germany	12.41
Verwaltungsgesellschaft Lebensmittelgesellschaft 'GLAWA' mbH & Co. KG	Hamburg	Germany	18.75
Yoyo Wallet Ltd.	London	United Kingdom	12.44

[1] Inclusion according to IFRS 10.
[2] No full consolidation due to minor materiality for the assets, financial and earnings position.
[3] No full consolidation and not accounted for using the equity method due to minor materiality for the asset, financial and earnings position.
[4] Not accounted for using the equity method due to minor materiality for the asset, financial and earnings position.

22 November 2018

The Management Board

OLAF KOCH **CHRISTIAN BAIER** **HEIKO HUTMACHER** **PHILIPPE PALAZZI**

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

We hereby ensure to the best of our knowledge, and in accordance with the applicable reporting principles, that the annual financial statements give a true and fair view of the asset, financial and earnings position of the group, and the combined management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

22 November 2018

The Management Board

OLAF KOCH **CHRISTIAN BAIER** **HEIKO HUTMACHER** **PHILIPPE PALAZZI**

INDEPENDENT AUDITOR'S REPORT

TO METRO AG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of METRO AG and its subsidiaries ('the Group' or 'METRO') – which comprise the consolidated balance sheet as at 30 September 2018, the consolidated income statement, the reconciliation of profit or loss for the period to total comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 October 2017 to 30 September 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of METRO for the financial year from 1 October 2017 to 30 September 2018. In accordance with the German legal requirements we have not audited the content of the non-financial statement, which is included in the 'combined non-financial statement of METRO AG' section of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2018, and of its financial performance for the financial year from 1 October 2017 to 30 September 2018, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the non-financial statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2017 to 30 September 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

— The measurement and recognition of the hypermarket operations pursuant to IFRS 5

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Explanatory notes to the group accounting principles and methods'. Disclosures on the discontinued operation of the SB Warenhaus (hypermarket) operation and the corresponding disposal group can be found in the notes to consolidated financial statements under Note 12 and 31.

THE FINANCIAL STATEMENT RISK

In an ad hoc announcement pursuant to Article 17 (1) of the EU Market Abuse Regulation [MAR] on 13 September 2018 the Management Board of METRO AG announced that it was starting the process of selling the Real retail business including the associated business activities. METRO assumes that the sale can most likely be executed in the 2018/19 financial year and has thus classified the hypermarket operations as a discontinued operation pursuant to IFRS 5.

The assets held for sale amount to EUR 2,580 million as at the reporting date. The liabilities associated with the assets held for sale amount to EUR 1,691 million as at the reporting date. For the 2017/18 financial year METRO recognised a post-tax loss from discontinued operations in the amount of EUR -110 million.

To be classified as a discontinued operation, the operations must be available for sale in their current state, the sale must be highly probable and be expected within one year of classification. If these three conditions are met, then the special presentation and measurement rules of IFRS 5 apply.

The classification of the hypermarket operations as discontinued operations and the measurement of the corresponding disposal group pursuant to IFRS 5 are complex and require judgement.

There is the risk for the consolidated financial statements that the sale of the discontinued operation is not highly probable in the 2018/19 financial year and thus that the classification and presentation as a discontinued operation and the corresponding disposal group pursuant to IFRS 5 are not appropriate. Furthermore, there is also the risk that the fair value less costs to sell is lower than the carrying amount of the assets held for sale less the liabilities associated with the assets held for sale. There is the risk that the disclosures in the notes to the consolidated financial statements regarding the discontinued operation are not appropriate.

OUR AUDIT APPROACH

We initially evaluated whether the classification and presentation of the hypermarket operations as discontinued operations and the corresponding disposal group pursuant to IFRS 5 are appropriate. In this assessment we questioned the Management Board and specialist departments charged with project responsibility regarding the status of the sale process and assessed internal and external reporting.

We assessed the appropriateness and the key assumptions made to determine the fair value less costs to sell of the assets and liabilities held for sale. In addition, we discussed the selling price expected by METRO AG with the Management Board and the responsible employees in the specialist departments. We also carried out plausibility assessments using other internally available valuations from external consultants, who are supporting METRO AG with the selling process. In doing so we also evaluated the competence, professional skills and impartiality of the external consultants.

Furthermore, we also evaluated whether the explanations in the notes to the consolidated financial statements on the discontinued operation are appropriate.

OUR OBSERVATIONS

The classification and presentation of the hypermarket operations as discontinued operations and the corresponding disposal group pursuant to IFRS 5 are appropriate. The judgements exercised in relation to the measurement are within an acceptable range and are balanced on the whole. The explanations in the notes to the consolidated financial statements on the discontinued operation are appropriate.

— Impairment testing of goodwill

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Explanatory notes to the group accounting principles and methods'. Disclosures on the development of goodwill as well as impairment testing can be found in Note 19 to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

Goodwill in the amount of EUR 797 million was reported in the consolidated financial statements of METRO AG as at 30 September 2018. Goodwill is allocated pursuant to IAS 36 to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. These units are the organisational sales line units per country for the METRO Wholesale and Real segments.

Goodwill is tested for impairment annually and as required. The starting point for identifying any impairment loss is the recoverable amount, which at METRO generally corresponds to fair value less the costs to sell and is compared with the respective carrying amount of the group of cash-generating units. In doing so, fair value is measured according to the discounted cash flow method. The reporting date for impairment testing is 30 June 2018.

Impairment testing is based on cash flow planning, the starting point of which is the multi-year plan prepared by METRO. Future cash flows are discounted using the weighted average cost of capital of the groups of respective cash-generating units.

The result of this impairment testing is highly dependent upon estimates of future cash flows as well as the cost of capital used and therefore subject to considerable uncertainty. There is a risk for the financial statements that impairment losses are recognised too late or not at all.

In addition, IAS 36 requires extensive disclosures in the notes to the financial statements, particularly also in terms of METRO's consideration of the potential sensitivity of material measurement assumptions and parameters. There is the risk that the disclosures in the notes are not complete and adequate.

OUR AUDIT APPROACH

Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation model underlying impairment testing, particularly in terms of the accounting policies used as well as formal and computational accuracy.

We confirmed the appropriateness of the future cash flows used in the calculation, among others, by comparing this information to the current budget figures in the multi-year plan prepared by METRO as well as through comparison with general and industry-specific market expectations. In this regard, we also confirmed the appropriateness of METRO's budget process. Furthermore, we assessed the appropriateness of the long-term growth rates assumed. In addition, we critically analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO. We also discussed the multi-year plan with those responsible for the budget, paying particular regard to improvements in operating profitability in the detailed planning period.

In view of the very high sensitivity of the calculated fair values to changes in the cost of capital, we rigorously examined – by taking into account country-specific particulars – the underlying assumptions and parameters for the cost of capital, especially the risk-free rate, market risk premium and beta coefficient, and assessed the calculation formula for computational and formal accuracy. Based on the sensitivity analyses carried out by METRO, we examined to what extent a reasonably possible change to the assumptions underlying the calculation could require recognising an impairment loss.

We also audited the completeness and adequacy of the disclosures in the notes to the consolidated financial statements pursuant to IAS 36.

OUR OBSERVATIONS

The valuation model used for impairment testing is appropriate and in line with applicable IFRS accounting policies. Moreover, the measurement assumptions and parameters used by METRO are within an appropriate range and are reasonable. The disclosures in the notes are accurate.

— Impairment testing of land and buildings

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Explanatory notes to the group accounting principles and methods'. Disclosures on movements in property, plant and equipment is provided under Note 21 in the notes. We also refer to Note 15 in the notes on depreciation of property, plant and equipment.

THE FINANCIAL STATEMENT RISK
Land and buildings with a carrying amount of EUR 3,763 million were reported in the consolidated financial statements of METRO AG as at 30 September 2018. In the year under review, impairment losses of EUR 22 million were recognised.

In accordance with IAS 36, real estate must be tested for impairment if there are any indications of potential impairment. Indications of potential impairment especially include the performance of operations and the real estate market. Pursuant to IAS 36, the carrying amount of the affected cash-generating unit must be compared with its recoverable amount for impairment testing purposes. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. METRO regularly carries out impairment tests based on fair value less costs to sell. The basis for measurement is the present value of the future cash flows of the cash-generating unit, which is determined using the discounted cash flow method. Impairment testing is based on the cash flow planning of the cash-generating unit.

This measurement is highly dependent upon the estimates of future cash flows as well as the interest rates used and therefore subject to considerable uncertainty. There is the risk that necessary impairment losses are recognised too late or not at all.

OUR AUDIT APPROACH
The starting point for our audit were the indications of impairment of land and buildings identified by METRO We initially assessed which land and buildings indicated impairment using information obtained in the course of our audit.

Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation models underlying impairment testing, particularly in terms of the accounting policies used as well as formal and computational accuracy. We confirmed the appropriateness of the future cash flows and market rents used in the calculation, among others, by comparing this information with the current budget figures as well as through comparison with general and use-specific market data. In addition, we addressed the cost of capital as well as real-estate-specific discount and capitalisation rates. In addition, we critically analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO.

OUR OBSERVATIONS
Indications of impairment of land and buildings were appropriately identified. The valuation models used for impairment testing are appropriate and in line with the applicable accounting policies. Moreover, the measurement assumptions and parameters used are appropriate and reasonable.

— Impairment testing of deferred tax assets

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Explanatory notes to the group accounting principles and methods'. Please see Note 25 in the notes for disclosures on deferred tax assets and liabilities.

THE FINANCIAL STATEMENT RISK
EUR 365 million in deferred tax assets after netting is recognised in METRO's consolidated financial statements as at 30 September 2018; EUR 136 million is attributable to loss carryforwards before netting.

For the measurement of deferred tax assets, METRO has to assess to what extent it is probable that current deferred tax assets can be utilised in subsequent reporting periods. Utilising these deferred tax assets requires that sufficient taxable income is generated in future periods. If, on the other hand, there is reasonable doubt about the future usability of the deferred tax assets determined, these are not recognised or if deferred tax assets have already been recognised, they are written down. The recognition of deferred tax assets and liabilities greatly depends on estimates and assumptions about the operating performance of country units and the Group's tax planning and, thus, is subject to significant uncertainty. Moreover, utilising deferred tax assets also depends on the respective tax environment. The risk for the consolidated financial statements is that deferred tax assets are recognised that then cannot be realised in the future due to insufficient taxable income.

OUR AUDIT APPROACH

We involved our own tax specialists in the audit to assess tax matters. We initially critically examined the temporary differences between the IFRS carrying amounts and the respective tax base. We also reconciled the tax losses carried forward for the German reporting entity with the tax assessment notices and the tax calculations for the current financial year and assessed off-balance sheet corrections. In the process, we tested the deferred tax assets for impairment on the basis of internal forecasts prepared by METRO on the future tax income situation, and critically assessed the underlying assumptions.

Furthermore, we compared the planned future taxable income with the multi-year plan prepared by the METRO and checked it for consistency.

In addition, we incorporated our findings from the critical analysis of previous adherence to the budget on the basis of past target/actual deviations prepared by METRO as well as our assessment of further substantial supporting documents to achieve the budgeted taxable income.

OUR OBSERVATIONS

The assumptions for the measurement of deferred tax assets are appropriate.

— **Recoverability of inventories**

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Explanatory notes to the group accounting principles and methods'. In addition, we refer to Note 26 in the notes on the recoverability of inventories.

THE FINANCIAL STATEMENT RISK

The balance sheet as at 30 September 2018 reports inventories in the amount of EUR 2,108 million, of which EUR 70 million refers to write-downs.

Inventories initially measured at cost (taking into account incidental acquisition costs and reductions in the cost of acquisition due to subsequent compensation) must be reduced in value if the inventories are damaged, fully or partially obsolete or if their expected net realisable values no longer cover cost. The determination of net realisable values as an upper limit is subject to judgement. Net realisable value requires in part forward-looking estimates with regard to the amounts that are expected to be realised when selling the inventories. There is the risk for the consolidated financial statements that inventories are overvalued due to unidentified write-down requirements.

OUR AUDIT APPROACH

Based on our understanding of the process used to test the recoverability of inventories, we assessed the establishment, design and functionality of the identified internal controls, especially in terms of the calculation of expected net realisable values.

We verified the computational accuracy of the calculations to determine net realisable value and the write-down requirement for inventory items deliberately selected according to risk and size. We assessed the appropriateness of the expected net realisable values and write-down rates applied for inventory obsolescence, damage and range of coverage using METRO's historical and empirical values, among others.

OUR OBSERVATIONS

The assumptions underlying the net realisable values as well as judgements exercised are appropriate and reasonable.

— **Recognising compensation from suppliers**

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Explanatory notes to the group accounting principles and methods' under 'Other notes'. In addition, we refer to Note 24 in the notes on other financial assets.

THE FINANCIAL STATEMENT RISK

The Group's balance sheet as at 30 September 2018 presents receivables from suppliers in the amount of EUR 328 million under 'Other financial assets'.

The companies of METRO conclude agreements with suppliers on purchasing terms and conditions. These include, among others, agreements on subsequent discounts, rebates and other compensation from suppliers to METRO. Presentation of these agreements in the balance sheet and the income statement requires some judgements and assumptions such as on achieving calendar year targets, which have a direct influence on the recognition of receivables from suppliers under the aforementioned agreements. There is the risk for the consolidated financial statements that the level of compensation realised from suppliers was estimated inaccurately so that the amount recognised for receivables from suppliers is too high.

OUR AUDIT APPROACH

We examined the process for recognising and documenting supplier agreements and the establishment and design of the identified internal controls and assessed the effectiveness of the relevant internal controls in terms of the amount and accuracy of supplier compensation.

We confirmed the underlying supplier agreements for a deliberate selection of receivables from suppliers based on size and risk, and assessed the recognition of supplier compensation in the balance sheet and income statement by evaluating the contractual arrangements. To that end, we scrutinised, among others, the underlying assumptions and data used to recognise the receivables from suppliers for realised but not yet invoiced compensation taking into account past experience.

OUR OBSERVATIONS

The recognition of the realised compensation from suppliers is consistent with the underlying supplier terms and conditions/agreements with the suppliers.

On the whole, the assumptions used to assess the level of realisation of suppliers' compensation not yet invoiced are appropriate.

Other Information

Management is responsible for the other information. The other information comprises:

- the non-financial statement and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, Furthermore, the Management Board is responsible for disclosing, as applicable, matters related to going concern. In addition, the Management Board is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Moreover, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable requirements of German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on 16 February 2018 and engaged by the Supervisory Board on the same date. We have been the group auditor of METRO AG without interruption since the 2016/17 financial year.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Gereon Lurweg.

Cologne, 22 November 2018

KPMG AG

Wirtschaftsprüfungsgesellschaft

LURWEG **DR HAIN**

Auditor Auditor

SERVICE

243 – 251

GLOSSARY

A

Accelerator
Initiative that supports start-ups, for example through coaching, thus accelerating the development and implementation of their business ideas. METRO has launched the METRO Accelerator powered by Techstars to support start-ups with innovative technologies for use in the food service, hospitality, catering and retail sectors.

Amfori Business Social Compliance Initiative (BSCI)
Founded in 2003, this global business association for open and sustainable trade works to ensure that production in all supplier countries complies with minimum social standards. The initiative aligns its standards with the UN's Universal Declaration of Human Rights and the conventions of the International Labour Organization (ILO).

Audit
A procedure that assesses an organisation's processes and structures according to previously formulated standards and guidelines. Audits shed light on the effectiveness of process optimisation measures. If an audit is conducted by an external auditor, the certificate issued after the review can be used as evidence of adherence to standards.

C

Carbon Disclosure Project (CDP)
The unaffiliated organisation was founded in London in 2000 by companies. It aims to disclose companies' CO_2 emissions as well as their climate and reduction risks, thereby contributing to the transparency of their corporate financial reporting on climate-relevant data. Each year, the CDP conducts standardised company surveys on a voluntary basis.

Commercial Paper Programme
Ongoing capital market programme typical of money markets that covers short-term financing needs. It facilitates the issuance of commercial papers (CP) as discounted, unsecured bearer bonds without standardised terms of maturity.

Committee of Sponsoring Organizations of the Treadway Commission (COSO)
US-based private-sector organisation that developed and published a standard for internal controls in 1992 that is recognised by the US Securities and Exchange Commission. In 2004, this standard was updated and the COSO ERM (Enterprise Risk Management – Integrated Framework), also known as COSO II, was published.

Compliance
All measures specifying a company's and its employees' behaviour in accordance with legislation, established social guidelines and values.

Cost of capital
See Weighted Average Cost of Capital (WACC).

Currency effects
Currency effects result from situations where identical quantities of currency units are translated into another currency at differing exchange rates.

D

Diversity management
A central element of HR policy that harnesses the diversity of employees in terms of gender, age, ethnicity, beliefs, sexual identities and potential disabilities for corporate success.

Dow Jones Sustainability Index (DJSI)
An index family that measures the sustainability of a company. The measurement is comprised of economic, environmental and social criteria. The measured criteria for listed companies include, among others, corporate management, workforce policy, transparency, human rights, and risk management. Among all sustainability indices, the DJSI family carries a particular cachet in terms of quality.

E

Earn-out
Conditional purchase price (part) payment in the context of a business acquisition, usually tied to a performance target.

EBIT (Earnings Before Interest and Taxes)
Profit or loss before financial result and (income) taxes. Due to its independence from different forms of financing and tax systems, the key figure can also be used internationally for comparison with other companies.

EBITaC (Earnings Before Interest and Taxes after Cost of Capital)
EBIT after the costs of the employed capital (EBITaC). This indicator shows whether a company successfully uses its business assets and achieves value added that exceeds the cost of capital.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)
Profit or loss before interest result, income taxes, depreciation/amortisation/impairment losses/reversals of impairment losses on property, plant and equipment, intangible assets and investment properties. This key figure serves the purpose of comparing companies with accounting systems that follow different accounting rules.

EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent)
EBITDAR is defined as the EBITDA before expenses or income from leases.

EBT (Earnings Before Taxes)
Profit or loss before (income) taxes. This indicator is used to compare companies, although different taxation systems may exist.

E-commerce
Short for electronic commerce, the electronic marketing and trading of goods and services over the Internet.

EPS (Earnings per Share)
See earnings per share

Earnings per Share (basic/diluted)
The earnings per share (basic) are calculated by dividing the profit or loss attributable to the shareholders of METRO AG by the weighted average of shares in circulation. The earnings per share (diluted) give additional consideration to the effect of so-called potential shares, such as those issued in the context of stock options.

EVA (Economic Value Added)
Value-oriented key figure that depicts the absolute value contribution of a company created in a single period under consideration of a risk-adjusted interest rate. It is derived from the difference between the company profit after tax and the cost of capital on the average capital employed.

F

Fair value
Recognised fair value. Amount that would have been received in return for the disposal of an asset or paid for the assignment of a debt in an ordinary transaction conducted between market participants on the assessment date.

Food, non-food
Under the global term food, METRO summarises the following categories of goods: fresh foods, durable foods, nutrients, frozen foods and drinks of all kinds, as well as luxury foods, dietary supplements and pet food, but also detergents, cleansers and cleaning agents, which are sometimes also labelled as near-food. All other goods are considered non-food items.

Food Lover concept
See hybrid-store concept.

Free cash flow
Free cash flow = EBITDA reported – investments excluding finance leases renewals and Mergers & Acquisitions +/– changes in net working capital.

Free cash flow conversion
Free cash flow conversion = (EBITDA reported – investments excluding finance leases renewals and Mergers & Acquistions +/- changes in net working capital) reported EBITDA.

Franchising
Also licence sales or franchising system. Contractually regulated form of organisation: the franchisor grants independent franchisees the right to offer certain goods or services using a franchisor's name or trademark.

G

Global Food Safety Initiative (GFSI)
The initiative was established in 2000 by retail companies. It is the world's largest organisation for the improvement of food safety. The initiative promotes the establishment of international audits that reduce food-related risks and evaluate food suppliers within that context.

GLOBALG.A.P.
A private-sector organisation that certifies agricultural and aquacultural products. The standard for 'good agricultural practice' (GAP) resulted from an initiative started by European retail companies.

Governance
Statutory and factual regulatory framework for the management and supervision of a company.

H

HoReCa
Short for hotel, restaurant and catering businesses. The HoReCa segment is an important customer group for METRO Wholesale.

Hospitality industry sector
Food service, hospitality industry. Summary term for hotels, restaurants and catering companies, often referred to as HoReCa industry sector.

Hybrid-store concept
Also referred to as a Food Lover concept. New store concept of the METRO sales line Real, which focuses on the customer and uses the advantages of large-scale hypermarkets. This hybrid-store concept considers the rational and emotional desires and needs of different customer groups, such as fresh, home-made pizza, pasta and sushi, as well as product presentation with a greater level of service and consulting.

I

IASB (International Accounting Standards Board)
An independent international body with head offices in London, UK, that develops and continually revises the International Financial Reporting Standards (IFRS).

IFRIC (International Financial Reporting Interpretations Committee)
Committee appointed by the IFRS Foundation and tasked with the development of guidelines for the interpretation of questions concerning the practical implementation of the IFRS. This committee has been operating under the name IFRS Interpretations Committee since 2010.

IFRS (International Financial Reporting Standards)
Internationally applicable rules for financial reporting developed by the IASB. Contrary to the accounting rules under the German Commercial Code, the IFRS emphasise the informational function.

ISAE 3402 (International Standard on Assurance Engagements)
A globally applicable standard for the preparation of audit reports for control systems in service companies.

L

Like-for-like sales growth, like-for-like sales development
Sales growth adjusted for selling space, reflecting sales growth in local currency on a comparable area or with respect to a comparable group of locations or sales concepts such as online retail and delivery. The figure only includes sales of locations with a comparable history of at least one year. This means that locations affected by openings, closures or material refurbishments during the reporting period or comparison year are excluded.

M

Mark-to-market valuation
Calculation of the fair value of financial instruments on the basis of market prices at a particular assessment date.

METRO Wholesale Operating Model
Organisational and management model introduced at METRO Wholesale in 2015. It is supposed to foster an entrepreneurial spirit within the organisation by transferring greater responsibility and creative freedom to the national subsidiaries. At the same time, measures geared towards specific customer groups (for example for hotels, restaurants and catering firms) are coordinated cross-nationally.

Mobile commerce
A specific type of e-commerce. In this case, the electronic marketing and retail of merchandise and services are conducted on a mobile device, such as a smartphone.

N

Net working capital
The net working capital includes inventories, trade receivables and receivables due from suppliers included in the item Other financial and non-financial assets. Trade liabilities are deducted from the total amount of these items.

Net debt
The net debt results from the balance of the financial liabilities (including liabilities from finance leases), cash and cash equivalents less financial investments. Financial investments include short-term bank deposits and short-term liquid debt instruments.

Non-financial declaration
Includes statements concerning environmental, social and employee affairs, as well as statements concerning respect for human rights and combating corruption and bribery and is prepared for the parent company as well as corporate.

Net Promoter Score (NPS)
Key figure that is used to provide information regarding the performance and customer satisfaction of a company. A standardised customer survey provides rating and feedback from customers or users that can be used to calculate a comparable cross-company measured value.

O

Omnichannel retail, omnichannel distribution
A development in multichannel marketing. Combination of traditional store-based retail with e-commerce, social media and applications for smartphones and tablets. Integrating all channels offers consumers a flexible and seamless shopping experience as the channels are holistically linked in all purchasing phases.

Own brands
Brand-name products that are developed by a retail and trademark-protected with an attractive best price/performance ratio.

P

Performance share
Performance-based investment. A performance share entitles its owner to a cash payment matching the share price.

Portfolio effect
Adjustments to group structures are referred to as portfolio measures or portfolio effects.

Previous year
Period of 12 months, usually cited as reference for statements in an annual report.

R

Rating
In the financial sector, ratings represent the systematic, qualitative assessment of creditworthiness. Ratings are expressed in various grades of creditworthiness. Renowned agencies that issue ratings are Standard & Poor's, Moody's and Fitch.

Retail
The Real sales line of METRO AG operates in the food retail sector and is a leading hypermarket operator in Germany with 279 stores.

Return on capital employed (RoCE)
RoCE is a key figure that indicates the rate at which the employed capital (less liquid funds and short-term debt capital) bears interest at METRO.

S

Sales brand
Companies with a completely independent market presence. 2 sales brands can be positioned within a sales line with an identical merchandising concept.

Sales line
Part of a retail company that operates outlets or stores with a specific merchandising concept.

Share unit
Unit for performance shares.

Social compliance
The adherence to laws, guidelines, standards, codes and/or social conventions by which an organisation ensures socially responsible operations within its value and supply chains. The aim is to protect the safety, health and basic rights of employees in their own company as well as among its suppliers.

Special items
Business transactions or a number of uniform business transactions that do not recur regularly, that are reflected in the income statement and that have a significant impact on business activities are classified as special items. As a result, the presentation of special items better reflects ordinary business performance and contributes to a better understanding of the earnings position.

Start-up company
Newly founded company characterised by an outstanding business idea and a high degree of innovation.

Supply chain
Different processes that contribute to the added value of a company. At METRO, these include logistics, marketing and sales.

Sustainable Development Goals (SDGs)
Under the title 'Transforming our world: the 2030 Agenda for Sustainable Development', the United Nations established political goals that are aimed at the entire international community, companies and private individuals. The agenda has formulated 17 main objectives that take into account all 3 dimensions of sustainability: Economy, Social, Environment. METRO is also aware of its responsibility and contributes to the achievement of the goals.

T

Total Shareholder Return (TSR)
TSR is a key figure that indicates the performance of an investment in shares under inclusion of capital gains and dividends.

Traders
The term 'Traders' at METRO Wholesale refers to the customer group of independent resellers such as operators of small grocery stores and kiosks, street food vendors, gas stations and wholesalers.

W

Weighted Average Cost of Capital (WACC)
The WACC results from the weighted median of the cost rate for equity and debt capital on the capital markets. The weighting is based on the equity and debt capital components of METRO measured at market prices.

Wholesale, METRO Wholesale
The METRO Wholesale segment comprises the METRO Wholesale sales line of METRO AG with more than 769 wholesale stores across 35 countries worldwide. This also includes the delivery business (Food Service Distribution) with companies like METRO delivery service and the delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express.

MULTI-YEAR OVERVIEW

		2013/14	2014/15	2015/16	2016/17[1]	**2017/18[1]**
Key financial figures						
Sales (net)	€ million	38,970	37,496	36,549	37,140	**36,534**
EBITDA	€ million	1,753	1,606	1,918	1,611	**1,525**
EBIT	€ million	999	860	1,219	852	**740**
EBIT margin	%	2.6	2.3	3.3	2.3	**2.0**
EBT (earnings before taxes)	€ million	469	466	894	649	**578**
Profit or loss for the period	€ million	56	265	519	345	**348**
from continuing operations	€ million	56	265	519	379	**458**
from discontinued operations	€ million	–	–	–	–34	**–110**
Profit or loss for the period attributable to METRO	€ million	40	253	506	325	**344**
Investments	€ million	757	1,155	1,007	827	**811**
Total assets	€ million	17,103	18,725	15,992	15,779	**15,242**
Equity	€ million	826	2,651	2,924	3,207	**3,130**
Equity ratio	%	4.8	14.2	18.3	20.3	**20.5**
Equity return on capital employed after taxes	%	6.8	10.0	17.7	10.7	**11.1**
Earnings per share (basic = diluted)	€	0.11[2]	0.70[2]	1.39[2]	0.89	**0.95**
from continuing operations	€	0.11[2]	0.70[2]	1.39[2]	0.99	**1.25**
from discontinued operations	€	0.00[2]	0.00[2]	0.00[2]	–0.09	**–0.30**
Dividends						
Dividend per ordinary share	€	–	–	–	0.70	**0.70[3]**
Dividend per preference share	€	–	–	–	0.70	**0.70[3]**
Operational data						
Employees (annual average by headcount)		173,234	165,404	156,852	155,082	**152,426**
Stores		1,077	1,061	1,041	1,041	**1,048**
Selling space (1,000 m²)		7,721	7,529	7,377	7,249	**7,152**

[1] Includes the figures of the discontinued hypermarket business.
[2] Pro forma disclosure of combined financial statements.
[3] Subject to resolution of the Annual General Meeting.

INFORMATION

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FINANCIAL CALENDAR 2018/19

17/01/2019
Trading statement Christmas quarter 2018

12/02/2019
Quarterly statement Q1 2018/19

15/02/2019
Annual General Meeting 2019

09/05/2019
Half-year financial report H1/Q2 2018/19

01/08/2019
Quarterly statement 9M/Q3 2018/19

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