

Non-binding convenience translation

Joint Demerger Report

of the Management Boards

of

METRO AG, Düsseldorf,

and

METRO Wholesale & Food Specialist AG, Düsseldorf,

on the hive-down and spin-off
of the wholesale trading and food retail trade activities

pursuant to § 127 sent. 1 of the German Transformation Act

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I. Introduction

METRO AG with its registered office in Düsseldorf ("**METRO AG**") is the strategic management holding company of METRO GROUP. METRO GROUP is one of the leading international trade companies.

The management board of METRO AG has resolved with the consent of the supervisory board to divide METRO GROUP into two independent companies listed on German stock exchanges, each being specialised in their distinct market segment. The wholesale and food retail businesses pursued by the METRO Cash & Carry and Real sales lines and additional pertaining activities are to be transferred to an independent company listed on German stock exchanges. In contrast, the Consumer Electronics business pursued by the Media-Saturn sales line including entertainment and household electronics as well as the pertaining service activities are to remain with METRO AG. The segmentation is intended to facilitate the strategic and organisational focus of the two independent trade companies to their respective fields of activity and to thus open up new perspectives for growth. The aim is to provide to each of the two companies full control over their own strategy. This is intended to further sharpen customer focus, accelerate growth, increase the speed of implementation and thus finally improve overall operative performance strength. Furthermore, both companies are to autonomously decide on acquisition and cooperation possibilities and thus be able to implement their further expansion in a more targeted manner.

The wholesale and food retail business of METRO GROUP comprises the activities of the METRO Cash & Carry and Real sales lines that are essentially pursued by METRO AG subsidiaries. The sales lines appear on the market, in particular, under the brand names "METRO", "makro" and "real,-". In addition, this includes the real property division, interests in subsidiaries providing cross-divisional and group services for today's METRO GROUP, as well as certain management and administrative functions of the previous Corporate Centre of METRO AG. This also includes former sales lines of METRO AG that have now been suspended. The activities described above will be further detailed in Sections II. and III. and will hereinafter be referred to as the METRO Wholesale & Food Specialist Business Division, shortly "**MWFS Business Division**".

The Consumer Electronics business of METRO GROUP includes the activities of the Media-Saturn sales line and pertaining services. Moreover, this includes certain management and administrative functions of the previous Corporate Centre of METRO AG. The Media-Saturn sales line appears on the market especially under the brand names

"Media Markt" and "Saturn". The operative management company of the Media-Saturn sales line is Media-Saturn-Holding GmbH, with its registered office in Ingolstadt, in which METRO AG holds an interest through its subsidiary METRO Kaufhaus und Fachmarkt Holding GmbH, with its registered office in Düsseldorf, as an intermediary holding company with 78.38 percent of the shares. The remaining shares of Media-Saturn-Holding GmbH are held by a company owned by third parties. The activities described above will be further detailed in Sections II. and III. and will hereinafter be referred to as the Consumer Electronics Business Division, shortly "**CE Business Division**".

The new, listed parent company of the MWFS Business Division is intended to be METRO Wholesale & Food Specialist AG with its registered office in Düsseldorf ("**MWFS AG**"). The previous METRO AG will be the parent company of the CE Business Division listed on German stock exchanges and is to change its company name to "CECONOMY AG". The current MWFS AG, as the future parent company of the MWFS Business Division listed on German stock exchanges, is to change its company name to "METRO AG", after METRO AG will have changed its company name.

The segmentation of METRO GROUP is essentially to take place through the transfer of assets of the MWFS Business Division from METRO AG as transferring entity to MWFS AG as receiving entity by means of a hive-down and spin-off (together the "**Demerger**") pursuant to the German Transformation Act (*Umwandlungsgesetz* – "**UmwG**"). Previously, various assets of the MWFS Business Division have already been transferred to MWFS AG.

Following the demerger of METRO GROUP, about 90 percent of the capital stock of MWFS AG are to be directly held by the shareholders of METRO AG. The relevant shares of MWFS AG are to be granted as consideration for the spin-off. The remaining approximately 10 percent of the capital stock of MWFS AG are to be held by today's METRO AG. In this respect, METRO AG is to be granted about 1 percent of the shares of MWFS AG as consideration for the hive-down. The remaining approximately 9 percent of the shares of MWFS AG are held by METRO AG already today through an intermediary holding company. The capital stock of MWFS AG consists of ordinary and preference shares (the "**MWFS Ordinary Shares**" or the "**MWFS Preference Shares**" and together the "**MWFS Shares**"), with the ratio of ordinary shares to preference shares corresponding to the ratio of ordinary shares to preference shares at METRO AG. In more detail:

- To prepare the segmentation of METRO GROUP, the great majority of operations of the MWFS Business Division was bundled in MWFS AG. The current capital stock of MWFS AG consists of approximately 9 percent of the future capi-

tal stock of MWFS AG upon completion of the segmentation of METRO GROUP. All MWFS Shares are currently held by METRO Consumer Electronics Zwischenholding GmbH & Co. KG with its registered office in Düsseldorf as intermediary holding company, in which METRO AG holds a 100 percent interest.

- By means of the hive-down pursuant to the UmwG the remaining activities of the MWFS Business Division are to be transferred to MWFS AG. As consideration for the hive-down METRO AG will be granted MWFS Shares, which are created by MWFS AG by means of a capital increase for the completion of the hive-down ("**Hive-Down Capital Increase**"). The MWFS Shares issued as consideration for the hive-down will correspond to approximately 1 percent of the capital stock of MWFS AG upon completion of the segmentation of METRO GROUP.
- The greatest part of the assets of the MWFS Business Division in terms of value is to be transferred to MWFS AG by way of a spin-off pursuant to the UmwG. It consists of such company interests of the MWFS Business Division as will remain with METRO AG after the hive-down. These interests include no operations of the MWFS Business Division, but their essential assets include purchase price claims under previously made intra-group disposals of associate companies of the MWFS Business Division to MWFS AG. As consideration for the spin-off, the METRO shareholders will be allocated MWFS Shares. The allocation ratio is 1 : 1. For each ordinary share of METRO AG ("**METRO Ordinary Share**") one MWFS Ordinary Share will be granted, and for each preference share of METRO AG ("**METRO Preference Share**" and together with the METRO Ordinary Shares the "**METRO Shares**") one MWFS Preference Share will be granted. The MWFS Shares to be granted to the METRO shareholders will be created by MWFS AG through a capital increase for the completion of the spin-off ("**Spin-Off Capital Increase**"). The MWFS Shares issued as consideration for the spin-off will correspond to approximately 90 percent of the capital stock of MWFS AG upon completion of the segmentation.

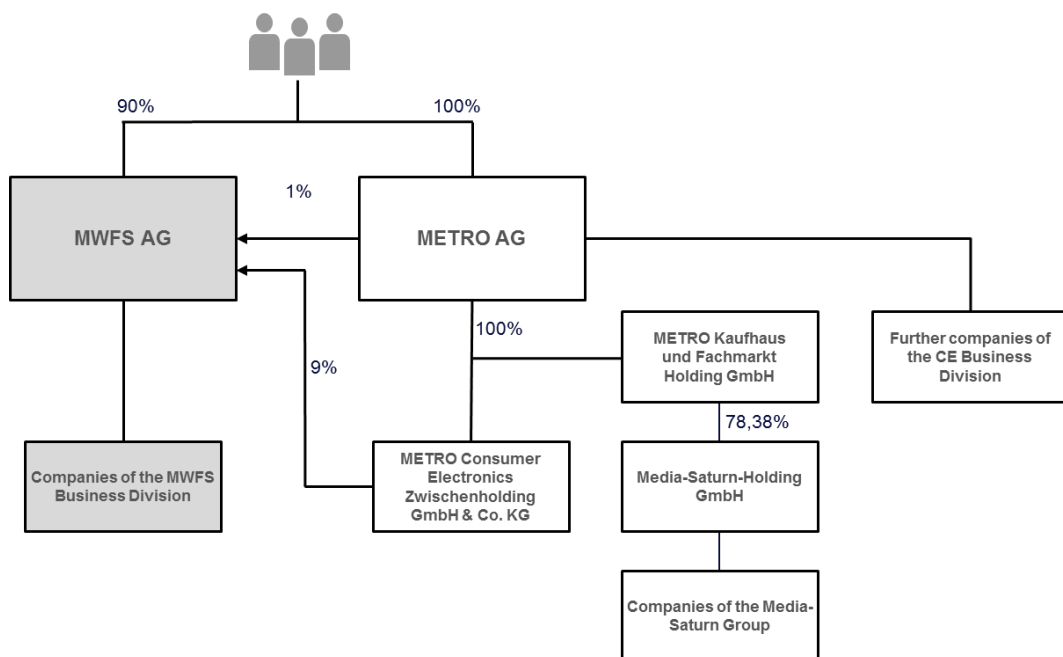
For the avoidance of any tax disadvantages it had to be ensured that the value of the Spin-Off Assets make up approximately 90 percent, the value of the Hive-Down Assets approximately 1 percent and the value of previously contributed assets approximately 9 percent of the business value of the MWFS Business Division, with the value proportions thus corresponding to the ratio of the MWFS Shares existing and to be granted as consideration for the hive-down and spin-off. In this respect, the value ratios on the relevant fiscal demerger effective date, i.e. 30 September 2016, were to be determined by taking into account any subsequent contributions. The shares to be granted to METRO AG as consideration for the hive-down are, contrary to the interest of METRO

Consumer Electronics Zwischenholding GmbH & Co. KG already existing, subject to a retention period of seven years, i.e. they cannot be disposed of without the acceptance of negative tax consequences (cf. Section VII.2.).

Immediately upon the spin-off taking effect, all MWFS Shares are to be admitted for trading on the Regulated Market of the Frankfurt Stock Exchange and additionally on a sub-segment of the Regulated Market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard). Additionally, a secondary listing on the Luxembourg Stock Exchange is to be made.

The demerger does not have any direct effects on the METRO Shares held by the shareholders of METRO AG.

The following chart illustrates in a simplified manner the target structure envisaged upon the demerger taking effect:



The basis for the demerger is the notarised hive-down and spin-off agreement concluded between METRO AG and MWFS AG on 13 December 2016 before the notary public Dr. Paul Rombach with his offices in Düsseldorf ("**Demerger Agreement**").

Both the hive-down and the spin-off are to take effect with economic retroactive effect as of 1 October 2016, 0:00 a.m. ("**Relevant Hive-Down Date**" or "**Relevant Spin-Off Date**" and together the "**Relevant Demerger Date**"). The hive-down and the spin-off will each take effect upon their relevant registration in the commercial register of METRO AG as

transferring entity. METRO AG and MWFS AG will ensure that first the hive-down and then the spin-off will be registered. Upon the relevant registration, the assets transferred each time are passed in their entirety to MWFS AG by operation of law.

In order to take effect, the Demerger Agreement requires the approval of the general meetings of shareholders of METRO AG and of MWFS AG. It is to be submitted to the ordinary general meeting of METRO AG on 6 February 2017, so that a resolution may be passed for approval thereof. The resolution requires a majority of three fourths of the capital stock of METRO AG represented at the general meeting. The three main shareholders of METRO AG (cf. Section II.2.c)) have each indicated their support of the segmentation of METRO GROUP. Approval by the general meeting of MWFS AG will then be arranged by METRO AG as indirect sole shareholder of MWFS AG following the general meeting of METRO AG.

The management boards of both of the companies participating in the hive-down and spin-off, METRO AG and MWFS AG, explain and justify in this report pursuant to § 127 sent. 1 UmwG both the intended hive-down and the intended spin-off in detail, in legal and economic terms ("**Demerger Report**"). The management boards of METRO AG and MWFS AG exercise the option under § 127 sent. 1 last half-sentence UmwG to render the Demerger Report jointly. Since according to the parties' intention the hive-down and the spin-off are a uniform economic measure and only make sense if taken together, the explanations on the hive-down and spin-off are combined in this uniform Demerger Report.

This Demerger Report serves to inform the shareholders of METRO AG in preparation of the decision-making required under transformation law and not of any specific investment decision. In particular, this Demerger Report is not a comparable document within the meaning of § 21 para. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). Admission of the MWFS Shares for trading will take place based on a separate securities prospectus.

II. Starting position – The entities participating in the demerger and METRO GROUP prior to the demerger

1. Overview of METRO GROUP

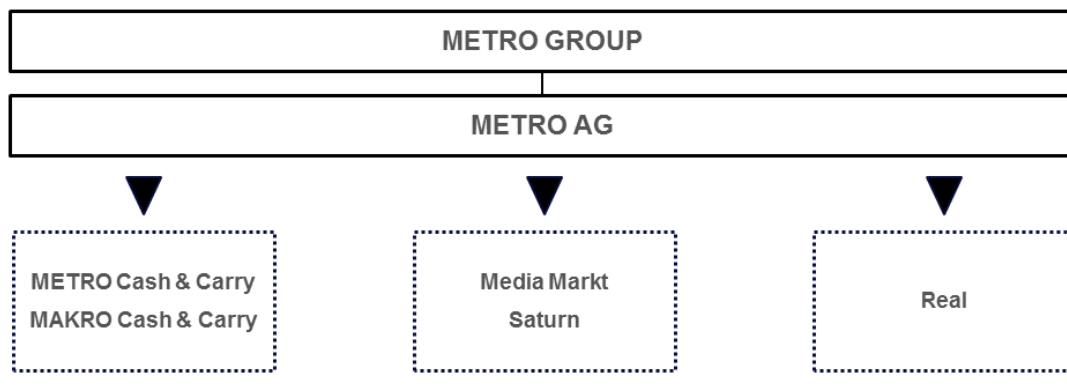
Today's METRO AG with its registered office in Düsseldorf goes back to the merger of the companies Asko Deutsche Kaufhaus AG, Kaufhof Holding AG and Deutsche SB-Kauf AG in 1996. The share of METRO AG was listed on German stock exchanges al-

ready in the same year. Today, the MWFS Ordinary and Preference Shares are, among other things, admitted for trading on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard).

METRO AG is the parent company of METRO GROUP. As the central management holding, it is responsible for group management tasks. In particular, this includes the areas of Finance, Controlling, Legal and Compliance. The central management and administrative functions for METRO Cash & Carry are assumed by METRO AG.

Responsibility for the operative business rests with the three sales lines of METRO GROUP. Depending on the relevant strategy, segment and specific competitive environment, they operate on the market using different trademarks or through subsidiaries. METRO Cash & Carry is responsible for wholesale, Media-Saturn for the Consumer Electronics business and Real for hypermarkets. All of the sales lines are fully responsible for their entire value chain. Service companies provide cross-divisional support for the sales lines of METRO GROUP with services, among other things in the areas of real property, logistics, information technology and advertising. Together with the management holding METRO AG they are reported in the "Other" segment.

Overview of METRO GROUP



METRO GROUP's sales in the 2015/16 financial year amounted to EUR 58,417 million. The operative result before exceptional items (EBIT before exceptional items) in the 2015/16 financial year amounted to EUR 1,560 million. Profit after taxes in the consolidated financial statements from continued and discontinued operations was EUR 657 million. In the 2015/16 financial year, METRO GROUP employed an average of 217,818 employees in number.

METRO AG was rated by Standard & Poor's, one of the internationally leading rating agencies, with the Investment Grade rating of BBB- long-term and A-3 short-term (with

stable outlook). Due to the rating agency's current assessment METRO GROUP has access to all finance markets.

2. METRO AG as transferring entity

a) Registered office and financial year

The transferring entity METRO AG is a stock corporation (*Aktiengesellschaft*) under German law with its registered office in Düsseldorf. Its business address is located at Metro-Strasse 1, 40235 Düsseldorf, Germany. METRO AG is registered in the Commercial Register of the Local Court of Düsseldorf under HRB 39473. Its financial year commences on October 1 and ends on September 30 of the following calendar year.

b) Share capital and shares

METRO AG's capital stock at the date of execution of this Demerger Report amounts to EUR 835,419,052.27 and is divided into 324,109,563 no-par value ordinary shares (99.18 percent of the entire capital stock) and 2,677,966 no-par value non-voting preference shares (0.82 percent of the entire capital stock). The ordinary shares and the preference shares are made out to the bearer. One ordinary share confers one vote.

Holders of non-voting preference shares receive a preferred dividend of EUR 0.17 per preference share from the annual net profit. Should the net profit available for distribution not suffice in any one financial year to pay the preferred dividend, the arrears excluding any interest are to be paid from the net profit of future financial years in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a financial year are not distributed until all of any accumulated arrears have been paid. After the preferred dividend has been distributed, the holders of ordinary shares receive a dividend of EUR 0.17 per ordinary share. Thereafter, an extra dividend of EUR 0.06 per share, which does not have to be paid in arrears, is paid to the holders of non-voting preference shares. The extra dividend is increased to 10 percent of such dividend as will be paid to the holders of ordinary shares according to the regulations on further profit distribution, inasmuch as such dividend equals or exceeds EUR 1.02 per ordinary share. The holders of non-voting preference shares and of ordinary shares will equally share in any further profit distribution in the proportion of their shares in the capital stock.

The articles of association of METRO AG include an authorised capital for various purposes in § 4 para. 7. Such existing authorisation has not been used, so far. The management board of METRO AG will suggest to the shareholders of METRO AG to renew

the existing authorised capital in the ordinary general meeting of 2017 until 5 February 2022 and to increase such capital from currently EUR 325 million to EUR 417 million. The portion of the capital stock attributable to shares that are being issued in exchange for contributions in cash and/or in kind during the term of this authorisation with an exclusion of the shareholders' subscription rights may not exceed 20 percent of the company's capital stock existing at the point in time of the adoption of the resolution by the general meeting.

Furthermore, the general meeting of 20 February 2015 has authorised the management board, with the approval of the supervisory board, to issue warrant or convertible bonds made out to the bearer, once or several times, on or before 19 February 2020, with a total nominal amount of up to EUR 1,500 million and to grant or impose, as applicable, warrant rights or obligations to/on the holders of warrant bonds or, respectively, conversion rights or obligations to/on the holders of convertible bonds for METRO Ordinary Shares made out to the bearer with a proportionate amount of the registered capital stock of up to a total of EUR 127,825,000, subject to the more detailed provisions of the bond conditions. In connection with this authorisation, a conditional capital exists under § 4 para. 8 of the articles of association. Such existing authorisation has not been used, so far.

The general meeting of METRO AG of 20 February 2015 has authorised METRO AG pursuant to § 71 para. 1 no. 8 of the German Stock Corporation Act (*Aktiengesetz* – "**AktG**"), to acquire until 19 February 2020 treasury shares, regardless of their class, in an extent of up to 10 percent of the capital stock existing at the point in time of this authorisation becoming effective or – if this value is lower – of the capital stock existing at the point in time of the exercise of this authorisation. Together with treasury shares that may have been acquired for other reasons and that are either held by METRO AG or have to be attributed to it under §§ 71a et seqq. AktG, the shares acquired based on this authorisation may at no time exceed 10 percent of the capital stock of METRO AG at such point in time. METRO AG currently holds no treasury shares and will acquire no treasury shares until the execution of the spin-off.

The majority of METRO AG Ordinary Shares and Preference Shares are securitised by global certificates which are kept by Clearstream Banking AG, Frankfurt am Main ("**Clearstream**"), as central depository in the form of a collective deposit. Furthermore, currently 68,886 of a total of 70,000 issued effective share certificates, each of which securitising one, ten or 100 METRO Ordinary Shares, are kept by Clearstream; the remaining 1,114 effective share certificates securitising METRO Ordinary Shares are circulating. 29,666 of initially 30,000 issued effective share certificates, each of which securitising one, ten or 100 METRO Preference Shares, are kept by Clearstream; the remaining

334 effective share certificates securitising METRO preference shares are circulating. The management board of METRO AG will propose to the shareholders of METRO AG to amend during the ordinary general meeting of 2017 the articles of association of METRO AG so that the right of the METRO shareholders to demand issuance of certificates for their METRO Shares and of the dividend warrants and renewal coupons is excluded, unless such issuance of certificates is necessary according to the regulations of any stock exchange on which the shares of METRO AG are admitted for trading. Following the execution of the demerger, the effective share certificates are to be withdrawn from circulation and the relevant shareholders are to acquire joint ownership of a stock of permanent global certificates (virtual shares) deposited at Clearstream.

c) Stock exchange trading and shareholder structure

The METRO Shares are admitted for trading on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard) as well as on the Düsseldorf Stock Exchange and are included in OTC trading on the stock exchanges of Berlin, Hamburg, Hanover, Munich and Stuttgart as well as on the Tradegate Exchange (ordinary shares with German security code number (WKN): 725750, ISIN: DE0007257503; preference shares WKN: 725753, ISIN: DE0007257537). The shares are included, among other things, in the MDAX as well as in the EURO Stoxx Retail, MSCI EURO, MSCI PAN-EURO, Dow Jones Sustainability Europe, FTSE4Good Global and FTSE4Good Europe.

The shareholder structure of METRO AG according to the voting rights notifications received by METRO AG in compliance with the German Securities Trading Act (*Wertpapierhandelsgesetz* – "**WpHG**") and based on the currently existing total number of 324,109,563 voting rights is as follows (any subsequent changes that are not to be notified under the WpHG have not been taken into account):

The main shareholders of METRO AG are the Haniel shareholder group with 24.996 percent of voting rights, the Schmidt-Ruthenbeck shareholder group with 15.772 percent of voting rights as well as the Beisheim shareholder group with 9.100 percent of voting rights. In 2015 the Haniel shareholder group issued exchangeable bonds with a maturity until May 2020. According to press releases, these bonds are based on approximately 12 million METRO Shares and, thus, approximately 4 percent of the capital stock of METRO AG. In the event it was fully exercised, the interest of the Haniel shareholder group in METRO AG would decrease correspondingly in the future.

The remainder of the METRO Shares entitled to vote are held in free float. This free float is allocated to a large number of national and international investors. Interests of more than 3 percent of voting rights are held – taking into account the voting rights attributable

to them pursuant to the WpHG – by Templeton Global Advisors Ltd., Nassau, the Commonwealth of the Bahamas, with 3.04 percent of the voting rights, and Franklin Mutual Advisers, LLC, Wilmington, Delaware, United States of America, with 3.06 percent of the voting rights.

To the knowledge of the management board of METRO AG, currently neither any pool nor any other agreements exist on the joint exercise of voting rights at METRO AG between the Haniel, Schmidt-Ruthenbeck and Beisheim shareholder groups. The pool agreement that previously existed between the three afore-mentioned shareholder groups, among other things from the year 2001, and the pool agreement existing solely between the shareholder groups of Haniel and Schmidt-Ruthenbeck from the year 2007 were terminated.

Each of the three main shareholders of METRO AG has indicated its support of the demerger and has assumed a holding obligation vis-à-vis METRO AG (a so-called lock-up) regarding the METRO Shares held by it with standard market content and furthermore subjected itself to further restrictions of disposal.

d) Management board

Pursuant to § 5 para. 1 of the articles of association of METRO AG, the management board of METRO AG consists of at least two members. Apart from that, the actual number of the management board members is determined, pursuant to § 5 para. 2 of the articles of association, by the supervisory board. Currently, the management board of METRO AG includes five members:

- Mr. Olaf Koch, Chairman of the management board (appointed until 13 September 2018)
- Mr. Pieter C. Boone (appointed until 30 June 2018)
- Mr. Mark Frese (appointed until 31 December 2017)
- Mr. Pieter Haas (appointed until 31 March 2019)
- Mr. Heiko Hutmacher, Labour Director (appointed until 30 September 2020)

It is expected that presumably in January 2017 the supervisory board of METRO AG will resolve on the extension of the appointment of Mr. Mark Frese as member of the management board of METRO AG until 31 December 2020.

Pursuant to § 6 of the articles of association, METRO AG is legally represented by two management board members or by one management board member jointly with an officer with statutory authority (*Prokurist*). Otherwise, METRO AG is legally represented by officers with statutory authority (*Prokuristen*) or other authorised signatories in accordance with the more detailed determination by the management board.

e) Supervisory board

Pursuant to § 7 para. 1 of the articles of association of METRO AG, the supervisory board of METRO AG comprises 20 members. According to the provisions of the German Co-Determination Act (*Mitbestimmungsgesetz* – "**MitbestG**") of 4 May 1976, it consists of ten supervisory board members each of the shareholders and of the employees. In compliance with § 96 para. 2 AktG, it comprises at least 30 percent of women and at least 30 percent of men.

Currently, the ten supervisory board members of the shareholders are:

- Mr. Jürgen B. Steinemann, Chairman of the supervisory board (elected in the general meeting of METRO AG of 19 February 2016; his term of office expires at the end of the ordinary general meeting of 2021)
- Prof. Dr. oec. Dr. iur. Ann-Kristin Achleitner (elected in the general meeting of METRO AG of 19 February 2016; her term of office expires at the end of the ordinary general meeting of 2017)
- Mrs. Gwyn Burr (elected in the general meeting of METRO AG of 20 February 2015; her term of office expires at the end of the ordinary general meeting of 2020)
- Mrs. Karin Dohm (elected in the general meeting of METRO AG of 19 February 2016; her term of office expires at the end of the ordinary general meeting of 2021)
- Mr. Jürgen Fitschen (elected in the general meeting of METRO AG of 8 May 2013; his term of office expires at the end of the ordinary general meeting of 2018)
- Dr. Florian Funck (elected in the general meeting of METRO AG of 23 May 2012; his term of office expires at the end of the ordinary general meeting of 2017)

- Mr. Peter Küpfer (elected in the general meeting of METRO AG of 19 February 2016; his term of office expires at the end of the ordinary general meeting of 2021)
- Mr. Mattheus P. M. (Theo) de Raad (elected in the general meeting of METRO AG of 08 May 2013; his term of office expires at the end of the ordinary general meeting of 2018)
- Dr. Fredy Raas (elected in the general meeting of METRO AG of 12 February 2014; his term of office expires at the end of the ordinary general meeting of 2019)
- Dr. jur. Hans-Jürgen Schinzler (Chairman of the Accounting and Audit Committee and member within the meaning of § 100 para. 5 AktG; elected in the general meeting of METRO AG of 8 May 2013; his term of office expires at the end of the ordinary general meeting of 2018)

At the end of the upcoming ordinary general meeting of 2017, the current supervisory board mandates of Prof. Dr. oec. Dr. iur. Ann-Kristin Achleitner and Dr. Florian Funck will expire. Dr. Funck will stand for re-election in the general meeting. In accordance with the announcement made during the ordinary general meeting of 2016, Prof. Dr. oec. Dr. iur. Ann-Kristin Achleitner is not available for re-election. Instead, the Nomination Committee of METRO AG has nominated Mrs. Regine Stachelhaus as a candidate for the supervisory board of METRO AG.

Currently, the ten supervisory board members of the employees are:

- Mr. Werner Klockhaus, Vice-Chairman of the supervisory board (elected by the Assembly of Employee Delegates of 21 March 2013; his term of office expires at the end of the ordinary general meeting of 2018)
- Mr. Ulrich Dalibor (elected by the Assembly of Employee Delegates of 21 March 2013; his term of office expires at the end of the ordinary general meeting of 2018)
- Mr. Thomas Dommel (appointed by decision of the Local Court of Düsseldorf of 7 December 2015; his term of office expires at the end of the ordinary general meeting of 2018)

- Mr. Andreas Herwarth (elected by the Assembly of Employee Delegates of 21 March 2013; his term of office expires at the end of the ordinary general meeting of 2018)
- Mr. Rainer Kuschewski (elected by the Assembly of Employee Delegates of 21 March 2013; his term of office expires at the end of the ordinary general meeting of 2018)
- Mrs. Susanne Meister (elected by the Assembly of Employee Delegates of 21 March 2013; her term of office expires at the end of the ordinary general meeting of 2018)
- Dr. Angela Pilkmann (moved up as of 1 September 2016 as alternate member for Mr. Hubert Frieling and elected by the Assembly of Employee Delegates of 21 March 2013; her term of office expires at the end of the ordinary general meeting of 2018)
- Mr. Xaver Schiller (elected by the Assembly of Employee Delegates of 21 March 2013; his term of office expires at the end of the ordinary general meeting of 2018)
- Mr. Jürgen Schulz (appointed by decision of the Local Court of Düsseldorf of 7 December 2015; his term of office expires at the end of the ordinary general meeting of 2018)
- Mrs. Angelika Will (elected by the Assembly of Employee Delegates of 21 March 2013; her term of office expires at the end of the ordinary general meeting of 2018)

f) Remuneration and employee incentive programmes

METRO Group has various remuneration programmes in place, some of which are share-based ("**LTI Programmes**"), aiming at enabling members of the management board as well as selected executives to participate in the long-term and sustainable business success of METRO GROUP. All LTI Programmes provide for a cash settlement. None of the LTI Programmes grants the right to subscribe any METRO Shares. The following LTI Programmes exist:

- **Sustainable Performance Plan ("SPP"):** In the 2013/14 financial year, a tranche with a three-year performance period was issued for the management board of METRO AG as well as for selected executives. The amount of payments

under the SPP is essentially dependent on a component based on the shareholder return as well as on a sustainability component. The Total Shareholder Component of the SPP is only paid out, if the final price of the METRO Ordinary Share is not less than the initial price at the time of issuance (EUR 29.73). If this condition is not fulfilled, a claim for payment exists only if within a period of three years after expiry of the performance period the XETRA closing price of the METRO ordinary share is higher or the same as the initial share price for more than 40 consecutive stock exchange trading days.

- **Sustainable Performance Plan Version 2014 ("SPP 2014"):** Since the 2014/15 financial year, the SPP was issued to the management board of METRO AG as well as selected executives in an modified form (SPP 2014). In addition to the two components of the SPP, it takes into account as a third component the earnings per share. Of the SPP 2014, two tranches were issued, the 2014/15 tranche with a performance period of three years and the 2015/16 tranche with a performance period of four years.
- **Performance Share Plan ("PSP"):** In the 2013 financial year, the last and only currently still outstanding tranche of the PSP established in 2009 and scheduled for five years was issued to members of the management board of METRO AG as well as selected executives. Upon exercise of the rights under this tranche, a payment in cash will be made. For this purpose, upon expiry of the performance period of at least three and no more than 4.25 years the final number of Performance Shares to be paid out will be determined based on the relative performance of the METRO AG share compared to the arithmetic mean of the share indices DAX 30 and Euro STOXX Retail - Total Return. The last exercise date for the 2013 tranche of the PSP is 1 July 2017. Each Performance Share carries an entitlement to a cash payment in the amount of the three-month average share price of the METRO AG share before the respective time of payment. As a precondition for the payment of the Performance Shares, the entitled parties are obliged to build up an investment in METRO Shares financed by themselves and to hold such investment until the expiry of a three-year vesting period. The self-financed investment applies to the entire term of the Performance Share Plan.

For the 2016/17 financial year, METRO AG will not issue any new tranches under the existing LTI Programmes prior to the implementation of the demerger.

For the 2013 tranche of the PSP 162,216 Performance Shares are outstanding. 116,463 of these Performance Shares are allocated to the members of the management board of METRO AG. Under the SPP as well as the SPP 2014, tranches with a target value of a

total of approximately EUR 49 million are outstanding. Approximately EUR 16.5 million thereof are allocated to the members of the management board of METRO AG.

In addition to the above LTI Programmes, since the 2015/16 financial year another LTI Programme ("**MCC LTI**") has existed for executives at the METRO Cash & Carry sales line (but not for the management board of METRO AG), which programme is largely tied to the development of the country organisations of the sales line and whose payment conditions are dependent on both performance and sustainability criteria. No link exists between the MCC LTI and the performance of the METRO Shares.

3. METRO Wholesale & Food Specialist AG as receiving entity

The receiving entity of both the hive-down and the spin-off is MWFS AG. Upon the spin-off taking effect, it will become the strategic management holding company of the MWFS Business Division and parent company of the then legally and economically autonomous MWFS Group.

a) General information under company law; registered office and financial year

MWFS AG is a stock corporation under German law (*Aktiengesellschaft*) with its registered office in Düsseldorf, registered in the Commercial Register of the Local Court of Düsseldorf under number HRB 79055. The financial year of MWFS AG begins on 1 October of each year and ends on 30 September of the following year.

b) Historical information

MWFS AG was established with the articles of association dated 18 December 1997 as a limited liability company under German law (*Gesellschaft mit beschränkter Haftung*) under the company name "LEDA" Unternehmens-Verwaltungs-GmbH with its registered office in Cologne and was registered in the Commercial Register of the Local Court of Cologne under number HRB 29898 on 16 March 1998.

The company, which was renamed to "Wal-Mart Stores Beteiligungen GmbH" in August 1998 and over time changed its registered office multiple times, initially belonged to the U.S. Walmart Group. Due to the acquisition of the Walmart business by Real in 2006 it became part of METRO GROUP and was renamed "Zweite real,- SB-Warenhaus GmbH".

In 2009 the company transferred six SB department stores as a whole by means of a hive-down by way of acquisition within the meaning of § 123 para. 3 no. 1 UmwG to

Zweite real,- Vermietungs- und Verpachtungs-GmbH & Co. KG. Thereupon, in 2014 the company transferred, through a hive-down by way of acquisition within the meaning of § 123 para. 3 no. 1 UmwG, its entire assets and liabilities to real,- SB-Warenhaus GmbH with its registered office in Düsseldorf, except for the interest in the receiving entity granted as part of the hive-down and the control and profit-and-loss-transfer agreement in place with METRO Groß- und Lebensmitteleinzelhandel Holding GmbH with its registered office in Düsseldorf. It sold and transferred the company interest in real,- SB-Warenhaus GmbH, which had been granted to it as consideration, within the group to real,- Holding GmbH. Since February 2014 the company has been inactive and has been only engaged in the management of its own assets.

On 18 May 2016, the company changed its name to "METRO Wholesale & Food Specialist GmbH". In the course of the preparations of the segmentation of METRO GROUP, on 15 September 2016 the company was transferred by its previous sole shareholder, METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, to METRO AG, and the existing control and profit-and-loss-transfer agreement between METRO Groß- und Lebensmitteleinzelhandel Holding GmbH (as controlling entity) and METRO Wholesale & Food Specialist GmbH (as dependent entity) was terminated for good cause.

On 19 September 2016 METRO AG contributed, among other things, a limited partnership interest in METRO PROPERTIES GmbH & Co. KG, which owns part of the real property of METRO GROUP, in an amount of approximately 92.9 percent of the entire limited liability capital as a hidden contribution into the capital reserve of METRO Wholesale & Food Specialist GmbH. The adverse balance previously existing at METRO Wholesale & Food Specialist GmbH was eliminated by means of this contribution. On the same day the company's management disclosed the economic re-incorporation to the commercial register of the Local Court of Düsseldorf. In addition, the corporate purpose of the company was modified.

On 20 September 2016, METRO AG contributed the only company share in METRO Wholesale & Food Specialist GmbH held by it into its subsidiary, METRO Consumer Electronics Zwischenholding GmbH & Co. KG, against the granting of shares. On 30 September 2016, the sole shareholder METRO Consumer Electronics Zwischenholding GmbH & Co. KG made a withdrawal in the amount of EUR 450 million at the expense of the free capital reserve existing at METRO Wholesale & Food Specialist GmbH (§ 272 para. 2 no. 4 of the German Commercial Code (*Handelsgesetzbuch* – HGB)) and converted the claim of payment of the withdrawal amount into a shareholder loan (with regard to subsequent changes, see Sections IV and VII.1.a).

With economic and, with one exception, also with legal effect as from 30 September 2016, 12:00 p.m., METRO Groß- und Lebensmitteleinzelhandel Holding GmbH and METRO Erste Erwerbsgesellschaft mbH transferred substantially all interests in the companies of the METRO Cash & Carry and Real sales lines (inparticular, except for a 6 percent interest of METRO AG in METRO Cash & Carry International GmbH) to METRO Wholesale & Food Specialist GmbH. In an amount of EUR 6,624,618,584.39 the purchase price was deferred with interest. For a more detailed description see Section IV.1.b).

On 8 November 2016, METRO Consumer Electronics Zwischenholding GmbH & Co. KG as the sole shareholder of METRO Wholesale & Food Specialist GmbH resolved to change the legal form of the company into a stock corporation (*Aktiengesellschaft*) pursuant to the UmwG. This change in legal form took effect upon entry into the commercial register of the Local Court of Düsseldorf on 11 November 2016.

Furthermore, on 16 November 2016 the general meeting of MWFS AG resolved an ordinary capital decrease (§§ 222 et seqq. AktG) which took effect upon entry into the commercial register on 23 November 2016. Therewith the company's capital stock existing after the change in legal form was decreased from EUR 204,517,000 to EUR 32,678,752. The number of ordinary (32,410,956) and preference shares (267,796) was not changed, so that no consolidation of shares was necessary. The ordinary capital decrease was conducted to achieve a target capital stock after the spin-off for MWFS AG which is attractive for the capital markets. Due to the ordinary capital decrease, creditors of MWFS AG may demand collateral security or satisfaction under certain conditions.

c) Share capital and shares; shareholder structure

The company's capital stock currently amounts to EUR 32,678,752 and is divided into 32,410,956 no-par value ordinary bearer shares (99.18 percent) as well as 267,796 no-par value non-voting preference bearer shares (0.82 percent).

Holders of non-voting preference shares receive an advance dividend of EUR 0.17 per preference share from the annual net profit. Should the net profit available for distribution not suffice in any one financial year to pay the advance dividend, the arrears excluding any interest are to be paid from the net profit of future financial years in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a financial year are not distributed until all of any accumulated arrears have been paid. After the advance dividend has been distributed, the holders of ordinary shares receive a dividend of EUR 0.17 per ordinary share. Thereaf-

ter, an extra dividend, which does not have to be paid in arrears, is paid to the holders of preference shares. The extra dividend amounts to 10 percent of such dividend as will be paid to the holders of ordinary shares according to the regulations on further profit distribution, inasmuch as such dividend equals or exceeds EUR 1.02 per ordinary share.

The MWFS Shares are currently not listed on German stock exchanges. All MWFS Shares are currently held by METRO Consumer Electronics Zwischenholding GmbH & Co. KG, a wholly owned subsidiary of METRO AG.

Pursuant to § 4 para. 6 of the articles of association of MWFS AG, the shareholders' claim to having certificates issued for their shares is excluded. The company may issue global certificates. By exercising this authorisation the management board of MWFS AG has securitised all MWFS ordinary shares as well as all MWFS preference shares in one global certificate for each of these classes and deposited these certificates with Clearstream.

d) Management board

Pursuant to § 5 para. 1 of the articles of association of MWFS AG, the management board of MWFS AG consists of at least two members. Apart from that, the actual number of management board members is determined by the supervisory board pursuant to § 5 para. 2 of the articles of association of MWFS AG. The management board of MWFS AG currently comprises three members belonging to the executives of METRO AG:

- Mr. Christian Baier
- Dr. Christoph Kämper
- Mr. Christian Ziggel

No chairman has been appointed. Pursuant to § 6 para. 2 of the current articles of association, MWFS AG is legally represented by two management board members or by one management board member jointly with an officer with statutory authority (*Prokurist*). Otherwise, MWFS AG is legally represented by officers with statutory authority (*Prokuristen*) or other authorised signatories in accordance with the more detailed determination by the management board.

e) Supervisory board

Pursuant to § 7 para. 7 of the articles of association of MWFS AG, the supervisory board of MWFS AG currently consists of three members. It is currently not subject to employee co-determination.

Since the change of the legal form, the supervisory board of MWFS AG comprises the following members, who belong to the executives of METRO AG:

- Mr. Harald Sachs, Chairman of the supervisory board
- Mr. Michael Bouscheljong
- Mr. Hans-Dieter Hinker

f) Independent auditor

In the course of the change of the legal form of METRO Wholesale & Food Specialist GmbH to MWFS AG, the audit firm KPMG AG, Wirtschaftsprüfungsgesellschaft, was appointed as independent auditor of MWFS AG for the 2016/17 financial year ending on 30 September 2017.

4. Business activities of METRO Group

The operations of METRO GROUP consist of the MWFS Business Division and the CE Business Division. The MWFS Business Division includes, in particular, the sales lines METRO Cash & Carry and Real. Under METRO Cash & Carry the wholesale activities of METRO GROUP are operated, under Real the hypermarket business. The CE Business Division includes the Media-Saturn sales line and is managed within METRO GROUP by Media-Saturn-Holding GmbH with its registered office in Ingolstadt, in which METRO AG holds a majority interest.

Service companies comprehensively support the operative sales lines of METRO GROUP by providing services, among other things in the areas of real property, logistics, information technology and marketing. Together with the management holding company METRO AG they are recorded as the "Other" segment.

Essential key figures of METRO GROUP are as follows:

Key figures	2014/15 financial year	2015/16 financial year
(Net) sales (in EUR millions)	59,219	58,417
EBITDA (before exceptional items) (in EUR millions)	2,458	2,509
EBIT (before exceptional items) (in EUR millions)	1,511	1,560
Earnings per share before exceptional items	1.91	1.96
Operative cash flow before interest and taxes (in EUR millions)	1,846	1,552
Employees (annual average in number)	226,895	219,678
Net debt ¹ (in EUR millions)	2,527	2,301
Equity ratio (in percent)	18.7	21.4

Below the activities of the individual segments are described in detail:

a) METRO Cash & Carry

METRO Cash & Carry is an international leader in cash and carry wholesale. With the brands METRO and MAKRO, this sales line is present in 25 countries in Europe and Asia. The range of products and solutions offered by the wholesale stores is especially tailored to the requirements of commercial customers. This includes, above all, hotels, restaurants, catering businesses (so-called "HoReCa customers"), independent retailers (so-called "trader customers") as well as service providers and public administration (so-called "SCO customers" – Services, Companies, Offices). In addition to cash & carry wholesale, this sales line is also active in the food service distribution (FSD) business, among other things through Classic Fine Foods Group (CFF), which has been part of the group since August 2015 and is present in 25 big cities in 14 mainly Asian countries. It supplies premium hotels, restaurants and catering businesses. In the 2015/16 financial year, METRO GROUP completed this segment by further acquisitions in Europe: In April 2016, it completed the acquisition of Rungis Express, a premium food supplier located in Germany, which the Swiss premium food supplier Fideco is also a part of. Further, in July 2016, METRO GROUP signed the purchase agreement for the French food supplier for commercial customers, Pro à Pro. Consummation of this acquisition is still pending.

¹ Debt (including finance leases) minus cash and cash equivalents according to the balance sheet and further minus short-term financial investments.

Essential key figures of the METRO Cash & Carry Business Division are as follows:

Key figures	2014/15 financial year	2015/16 financial year
(Net) sales (in EUR millions)	29,701	29,009
EBITDA (before exceptional items) (in EUR millions)	1,457	1,463
EBIT (before exceptional items) (in EUR millions)	1,050	1,043

b) Real

Real is one of the leading operators of hypermarkets (full product range) in Germany and is active there both in stationary retail trade and in online sales. The hypermarkets are characterised by a large range of quality fresh products, a broad variety of non-food items and an attractive price/quality ratio. In May 2016 METRO GROUP acquired the Hitmeister shopping portal and thus drives the growth of the online business in the Real sales line. Already in October 2015 Real concluded a cooperation with Private Handelshaus Deutschland GmbH, the purchasing group of Bartels-Langness, Georg Jos. Kaes and Klaas & Kock. The cooperation partners benefit from joint purchasing. Apart from that, Real benefits from a cooperation concluded with Markant in 2015.

Over the past years, Real has been driving its transformation and taken an important step towards its strategic reorganisation with the pilot testing of a new hybrid market concept. The goal of this hybrid market concept is to highlight product competence with more emphasis as regards fresh and ultra-fresh food products, while at the same time maintaining an attractive range of products for price-oriented bulk purchasing. In this respect, Real relies on innovations, which take into account both emotional and rational customer demands and offers a product range that is tailored to this demand with more service and advice as well as gastronomic products. The first converted site was opened at Krefeld in November 2016. In addition, Real focuses on continuing portfolio optimisation as well as the implementation of the efficiency programme for competitive cost structures.

Essential key figures of the Real business division are as follows:

Key figures	2014/15 financial year	2015/16 financial year
(Net) sales (in EUR millions)	7,743	7,486
EBITDA (before exceptional items) (in EUR millions)	222	247
EBIT (before exceptional items) (in EUR millions)	88	100

c) Media-Saturn

Media-Saturn is Europe's leading trading company for Consumer Electronics and related services. The group of companies sees itself as a responsible and sustainable partner which accompanies and navigates the way for consumers on a daily basis in a world that becomes more and more digital. With its portfolio of formats and trademarks, Media-Saturn flexibly addresses the needs of different customer groups and countries.

The Media-Saturn company group particularly combines the two brands "Media Markt" and "Saturn", which appear independently on the market and are established as separate companies. The directors usually hold an interest of up to ten percent in these market companies. They independently decide on local advertising measures, product range design and personnel policy.

The stationary business of Media Markt and Saturn is closely intertwined with online trading. For example, a customer can order goods online and have them delivered or collect them in the shop. Vice versa, a customer can buy the goods in the shop and take them home immediately or have them delivered. This so-called multi-channel approach has been supplemented by the Media-Saturn company group since July 2011 in the course of its dual online strategy with Redcoon, a company exclusively limited to internet trading. In order for customers to receive products bought even faster, Media-Saturn has expanded the same-day-delivery concept in Germany and other countries. Furthermore, Media-Saturn operates among other things the live shopping portal iBOOD in the Netherlands, Germany and Poland, as well as the entertainment platform Juke. Through the acquisition of the 100 percent interest in the repair and service provider RTS during the 2014/15 financial year, Media-Saturn was also able to expand its service range for consumers. Thus, customers can in many stores install computers directly when buying them and have defective products such as smart phones repaired in the store.

To retain its customers, Media Markt has already established the Media Markt Club Programme in four countries. A similar programme for Saturn is in preparation.

Today Media Markt and Saturn are already the leading electronics stores in Europe. Overall, the group of companies is present at more than 1,000 locations in 15 countries in Europe. Essential key figures of the Media-Saturn sales line are as follows:

Key figures	2014/15 financial year	2015/16 financial year
(Net) sales (in EUR millions)	21,738	21,870
EBITDA (before exceptional items) (in EUR millions)	685	708
EBIT (before exceptional items) (in EUR millions)	442	454

The Media-Saturn sales line essentially consists of a majority holding in Media-Saturn-Holding GmbH. The 78.39 percent majority interest of METRO GROUP in Media-Saturn-Holding GmbH is held by a wholly owned subsidiary of METRO AG, METRO Kaufhaus und Fachmarkt Holding GmbH with registered office in Düsseldorf, acting as intermediary holding company. The remaining shares in Media-Saturn-Holding GmbH are held by Convergenta Invest GmbH, whose shares are ultimately held by members of the Kellershals family. Media-Saturn-Holding GmbH is the operative management company of the Media-Saturn company group.

The Media-Saturn company group is fully consolidated in the consolidated financial statements of METRO AG. Between METRO Kaufhaus und Fachmarkt Holding GmbH and Media-Saturn-Holding GmbH there is no enterprise agreement in place within the meaning of §§ 291 et seqq. AktG. The controlling influence of METRO AG is the result of its rights as majority shareholder.

Resolutions of the general meeting of Media-Saturn-Holding GmbH require, unless stipulated otherwise by law or by the articles of association, a majority of more than 80 percent of the votes cast and can therefore not be adopted against the votes of Convergenta Invest GmbH. Nonetheless, METRO AG directly or indirectly has decisive influence on the company's management through METRO Kaufhaus und Fachmarkt Holding GmbH. This is mainly expressed in the fact that pursuant to the articles of association METRO Kaufhaus und Fachmarkt Holding GmbH is entitled to appoint and dismiss one director, whereas no such right is granted to the co-shareholder, and further directors have to be appointed by consensus (as from 1 January 2017, Media-Saturn-Holding GmbH will presumably have two Directors: Pieter August Haas (Chairman) and Wolfgang Kirsch). The director appointed by METRO Kaufhaus und Fachmarkt Holding GmbH is entitled to two votes. Furthermore, essential measures of the management of Media-Saturn-Holding GmbH, including personnel measures at management companies of the Media-Saturn company group, do not require the consent of the shareholder

meeting, but of an advisory board existing at Media-Saturn-Holding GmbH. This advisory board also decides on the budget of the Media-Saturn company group. Voting in the advisory board is made by number of members with a simple majority of votes cast. Pursuant to the articles of association of Media-Saturn-Holding GmbH, METRO AG designates the majority of members in the advisory board. The competence of the advisory board as well as the requirement of a simple majority of members were confirmed by final (arbitral) award in favour of METRO AG.

The articles of association of Media-Saturn-Holding GmbH include (usual) disposal restrictions, which limit direct and indirect transferability of the shares in Media-Saturn-Holding GmbH, namely reservations of consent, rights of first refusal and redemption rights.

In addition to the provisions of the articles of association of Media-Saturn-Holding GmbH, there are various agreements further detailing rights and obligations between METRO AG, METRO Kaufhaus und Fachmarkt Holding GmbH and Convergenta Invest GmbH or, as the case may be, members of the Kellerhals family.

METRO AG and METRO Kaufhaus und Fachmarkt Holding GmbH have been and still are involved in various legal disputes with Convergenta Invest GmbH regarding Media-Saturn. Namely, Convergenta Invest GmbH has disputed the establishment of the advisory board at Media-Saturn-Holding GmbH, challenged various shareholders' resolutions of Media-Saturn-Holding GmbH, proceeded by way of filing for an injunction against the activities of Mr. Pieter Haas as director as well as against individual management measures and raised (alleged) claims for damages against the directors of Media-Saturn-Holding GmbH. Furthermore, members of the advisory board of Media-Saturn-Holding GmbH, who were delegated by Convergenta Invest GmbH, have taken legal action against resolutions of the advisory board. To the extent proceedings have been finally concluded, all decisions were in favour of METRO Kaufhaus und Fachmarkt Holding GmbH.

d) "Other" segment

The "Other" segment comprises the following functions:

METRO AG as management holding company provides services within the company group against consideration. To this end, METRO AG maintains a Corporate Centre. In the course of the division of the operational activities of METRO AG into a MWFS Branch of Activity and a CE Branch of Activity as of 30 September 2016, the Corporate Centre existing at METRO AG was split into a Corporate Centre for the MWFS Business

Division and a Corporate Centre for the CE Business Division (cf. Section IV.1.c)(2)). The Corporate Centre of the MWFS Business Division employed a staff of approximately 610 on 30 September 2016. The Corporate Centre of the CE Business Division employed a staff of approximately 50 on 30 September 2016.

Apart from that, METRO AG holds various interests in service companies, which comprehensively support the operative sales lines by providing services against consideration, among other things in the areas of logistics, information technology and marketing.

Besides, the "Other" segment includes the real property activities of METRO GROUP, except to the extent these are allocated to the sales lines. This includes, for example, specialist retail centres, warehouses and head offices. A large part of the German real property activities of the "Other" segment are bundled in METRO PROPERTIES GmbH & Co. KG.

Essential key figures of the "Other" segment are as follows:

Key figures	2014/15 financial year	2015/16 financial year
(Net) sales (in EUR millions)	732	168
EBITDA (before exceptional items) (in EUR millions)	103	100
EBIT (before exceptional items) (in EUR millions)	-63	-33

III. **Decision in favour of a splitting up of METRO GROUP by way of a combined hive-down and spin-off (demerger)**

The decision by the management board of METRO AG to split up METRO GROUP and to present to the ordinary shareholder meeting 2017 the Demerger Agreement for approval results from a comprehensive analysis of the current business activities and structures of METRO GROUP and, based on this, an assessment of the strategic options for action. After due consideration of all circumstances, the management board of METRO AG is of the opinion that it is in the best interests of METRO AG and its shareholders to divide METRO GROUP into two mutually independent groups listed on German stock exchanges. Whilst the CE Business Division is to remain with METRO AG, the MWFS Business Division is to be continued in MWFS AG as an independent company listed on German stock exchanges.

The MWFS Business Division to be continued within MWFS AG includes

- the current activities of the METRO Cash & Carry and Real sales lines that are essentially pursued by METRO AG subsidiaries;
- the previous activities of the METRO Cash & Carry and Real sales lines (including any company interests and activities whose strategies at the time of ceasing to be members of METRO GROUP or the discontinuation of the activity were geared at wholesale and food retail);
- the real property division of METRO GROUP that predominantly holds real property from the METRO Cash & Carry and Real sales lines;
- interests in subsidiaries providing cross-divisional services for today's METRO GROUP (these services are predominantly used by the METRO Cash & Carry and Real sales lines);
- specific management and administrative functions of the previous Corporate Center of METRO AG (cf. Section IV.1.c)(2));
- rights and obligations relating to previous sales lines of METRO GROUP and their activities (in particular, this includes the former Galeria Kaufhof sales line sold in 2016).

The CE Business Division to remain with METRO AG includes

- the current activities of the Media-Saturn sales line and pertaining services;
- the previous activities of the Media-Saturn sales line (including any interests and activities whose strategies at the time of ceasing to be members of METRO GROUP or the discontinuation of the activity were geared at Media-Saturn).
- specific management and administrative functions of the previous Corporate Center of METRO AG (cf. Section IV.1.c)(2)).

The decisive reasons for the demerger and the actual structure of the demerger are presented below. The reasons contemplated by the management board of METRO AG are also shared by the management board of MWFS AG in each instance.

1. Reasons for the decision to divide METRO GROUP

When analysing the reasons for the decision to divide METRO Group, the management board of METRO AG took into account and weighed up against each other the following individual aspects:

Changing market environment and transformation of METRO GROUP

The management board of METRO GROUP holds the view that splitting up METRO AG is the next logical step in the course of METRO GROUP's transformation. The transformation process was launched in 2012 with a view to gearing the strategy of METRO GROUP and its sales lines strictly to the respective customer groups. The necessity to do so resulted from a changing market environment. METRO GROUP is a historically grown wholesale and resale conglomerate. For quite some time, the strategy of METRO GROUP had been geared predominantly to expansion. A significant part of this strategy referred to the expansion of successful business models and brands in the European, Asian and African regions and also to the realisation of synergy potentials from purchase volumes and the pooling of administrative tasks. With this in mind, METRO GROUP founded and purchased various distribution formats. What these distribution formats had in common was their orientation to commerce. Yet, as far as the product portfolios and the customer segments were concerned, they were quite different.

For some time, the ongoing digitalisation process has significantly increased market transparency in favour of the customer. This has substantially changed market dynamics, and nowadays it is the relevance of the products on offer that matter for the customer rather than a broad range of products. In these market conditions, the fundamental requirement for long-term and sustainable growth is to gear METRO GROUP systematically to the added value for its customers. In this respect, METRO GROUP is guided by five focal points: Transformation, growth, optimisation, expansion, being a prime mover. Together with the aim of sustainable management, they form the strategic framework for the business of METRO GROUP and provide for the direction in which all the sales lines and companies of METRO GROUP are heading.

In the course of the transformation process, a fundamental cultural change has taken place within METRO AG. Hand-in-hand with the systematic customer-oriented focus of the business, METRO GROUP has opened up new vistas for itself and developed innovative strategies for the various sales lines. By implementing the customer-focused strategy in recent years, METRO GROUP has adapted its strategy and business to the specific requirements of the prevailing local comparative environment through various measures:

- METRO Cash & Carry significantly decentralised its control structure and adapted it to the changed strategy by introducing the "New Operating Model" as of 1 July 2015. The new control structure has transferred much more operative and strategic responsibility and organisational leeway to the individual local companies. At the same time, customer-group-specific measures (e.g. for hotels, restaurants and caterers) have been coordinated across national borders.
- Media-Saturn also plans to implement elements from the "New Operating Model"; these, however, are totally unrelated to the measures at METRO Cash & Carry from an operative perspective. Furthermore, Media-Saturn pushed the strategy change forward by systematically implementing a combined online and offline strategy (multi-channel). Combined with a significantly extended range of services on offer, this promotes compliance with customer requirements and increases the implementation speed for innovation.

Portfolio measures have been another major component of the transformation. For example, METRO GROUP disposed of company interests where there was hardly any overlap with other sales lines, which allowed management to focus more on the customers of the remaining portfolio. A particular milestone was the sale of Galeria Kaufhof to the Canadian Hudson's Bay Company in 2015. This transaction and other transactions served the purpose of optimising the portfolio and of strengthening the balance sheet.

The transformation process, including in particular the portfolio adjustments made and the related pooling of sales lines of METRO GROUP as well as the ongoing decentralisation of the business divisions of METRO GROUP and their adaptation to the local competitive environment, have resulted in a situation where the already few operative synergies between the remaining sales lines of METRO GROUP have been further reduced and currently exist only to an insignificant extent. As a result, the disadvantages of the current conglomerate structure meanwhile clearly outweigh its advantages.

Against this backdrop, the demerger of METRO GROUP into the MWFS Business Division and the CE Business Division is the next logical step in the course of the ongoing transformation of METRO GROUP. The management board of METRO AG is convinced that the speed and the intensity of the changes taking place in the respective sectors require the undivided attention of management. This way, the focus on new trends, innovation, offers and solutions is to be increased, and the flexibility and speed of decision-making to be improved. If businesses were continued under the shared umbrella of METRO AG, this would not be possible in the same measure. The MWFS Business Division and the CE Business Division are quite distinct from one another, and especially so with a view to products, customers, suppliers, markets, strategies and competitors.

Currently, management has to deal with strategies and also the risks and opportunities of several sectors, without any relevant synergies that would justify this approach.

Elimination of conglomerate discount

In the opinion of the management board of METRO AG, splitting up METRO GROUP would also have the added benefit that the conglomerate discount, which the management board of METRO AG assumes to apply to the METRO Shares, would be eliminated or at least significantly reduced. Due to the differences between the markets served by the MWFS Business Division and the CE Business Division and also because of the related diverging risk profiles, METRO GROUP is seen as a conglomerate on the capital market. Given the fact that the capital market has favoured companies focusing on only one single business, so-called 'pure players', for quite some time now for reasons of efficiency, transparency and portfolio, the management board of METRO AG is convinced that the METRO AG shares are traded on the market with a conglomerate discount. This is also reflected in the analysis methodology and the assessment of equity analysts assessing METRO AG. The management board is confident that this discount would be eliminated or at least significantly reduced as a result of METRO GROUP being split up. In the opinion of the management board of METRO GROUP, this view is supported by the positive price reaction and the predominantly positive reaction from analysts and investors immediately following the first announcement of the plans to split up METRO GROUP on 30 March 2016. The management board of METRO AG is confident that splitting up METRO GROUP will also have a positive effect on the share price in the medium term and, assuming unchanged framework conditions, on the market capitalisation of both companies listed on German stock exchanges.

From an investor's point of view, the split-up will enable them to make their own diversification decisions. Whilst, at present, an investment is only possible for the entire package, investors, following the splitting up of METRO GROUP, will have the opportunity to invest only in the MWFS Business Division or in the CE Business Division. Hence, both companies will be even more attractive for investors. At the same time, today's METRO shareholders are free to hold shares in both companies listed on German stock exchanges and to continue to hold an interest in the MWFS Business Division and in the CE Business Division.

Splitting up METRO GROUP facilitates independent financing

Following the splitting up of METRO GROUP, each of the companies will have its own access to the capital markets. In contrast to the situation today, new equity capital could

be obtained by either of the companies without the currently applying conglomerate discount or at least at a significantly reduced discount.

Each of the companies may furthermore borrow capital independently and tailored to its own needs. The management board of METRO AG endeavours to achieve a situation in which, following the splitting up of METRO GROUP, each of the companies will fulfil the requirements for an investment grade rating.

Improved framework to implement own strategy

By splitting up METRO GROUP, the framework conditions improve for each of the companies to implement its own strategy. Each company will be able to pursue its own strategy. No more coordination with the respective other Business Division with regard to capital allocation, acquisition strategy or investment budget will be necessary. This applies, in particular, to the growth and portfolio strategy. In the future, acquisitions and strategic partnerships will specifically benefit from being able to use each company's treasury shares as acquisition currency.

The current structure of METRO GROUP imposes restrictions in this respect. In the event of a strategic investment or partnership concerning the MWFS Business Division or the CE Business Division, the seller or partner would have to accept shares of today's METRO AG. Due to the diversification of METRO GROUP, they usually have risk profile different from that of shares from a 'pure player' of the respective sector. Moreover, from a METRO AG perspective, the granting of METRO Shares would be detrimental because of the current conglomerate discount.

Improved transparency and strengthening of internal and external identity

The splitting up of METRO GROUP into two independent companies listed on German stock exchanges will provide each of the companies with improved transparency on the capital markets, with respect to customers and the public. Each of the companies will have its own group accounting and also its own press and investor relations activities. In addition, the public perception of the CE Business Division will no longer be prejudiced by the much larger MWFS Business Division.

The independence and increased transparency of the two divisions will, in the opinion of the management board of METRO AG, also strengthen the internal and external identities, as each of the companies, under separate management, will gain a clearer profile.

Risks inherent in the splitting up of the group

Splitting up the group also entails disadvantages and risks for METRO AG, MWFS AG and their respective shareholders.

When METRO GROUP is split up, the previous diversification of METRO AG into the MWFS Business Division and the CE Business Division will no longer exist. Whilst the risk profiles of both divisions have previously supplemented each other, thus reducing the overall risk, the risk profile of each of the independent companies will have to be assessed independently in the future. The risk profile of the CE Group will probably be more volatile than the one of METRO Group. The risk profile of MWFS Group will, due to the constancy of the consumer goods markets, probably prove to be less volatile than the one of METRO Group. In the opinion of the management board of METRO AG, the change of the risk profile of both groups is a necessary effect that has to be accepted to create two pure players. From the investors' point of view, this effect can be reduced, or even totally eliminated, out of its own accord by diversification effects from a sufficiently large portfolio.

This would only result in substantial risks for both companies or their shareholders if both companies lacked sound capitalisation and financing. The management board of METRO AG holds the view that, following the demerger in the specifically suggested form, both companies will have a sound capitalisation and financing and will be able to permanently cover their liquidity requirements from the available resources and the operative cash inflows to be expected. Due to the principle of full disbursement in accordance with the distribution of shares postulated in the articles of association of Media-Saturn-Holding GmbH, METRO AG is entitled to 78.38 percent of the annual profits of Media-Saturn-Holding GmbH. Even if Media-Saturn-Holding GmbH was not to distribute dividends for some time (cf. in more detail in Section IX.2), METRO AG is financed in a way that it has sufficient liquidity in place.

The previous rating of METRO AG will be lost as a consequence of the splitting up of METRO GROUP. The management board of METRO AG endeavours to achieve that, following the splitting up of METRO GROUP, each of the companies will fulfil the requirements for an investment grade rating. In this context, the management board is aware of the fact that, due to the respective smaller sizes of the MWFS and CE Business Divisions, the requirements for achieving an investment grade rating would change and potentially increase. At the same time, however, the advantages of creating two pure-player companies also have to be taken into account.

Another potential disadvantage of the splitting up is that, in consequence, the previous credit lines of METRO AG would have to be renegotiated. The management board of METRO AG, however, assumes that this can be achieved without significant disadvantages due to the solid capital structure of the two companies emerging from the split-up and the currently attractive market environment. As of today, the management board cannot perceive any major impacts of the splitting up on the financing of the CE Business Division through supplier loans. METRO AG and the CE Business Division will remain an attractive and solid trade partner, also after the demerger.

The implementation of the envisaged demerger will further trigger estimated tax in a low single-digit million range and transaction costs in the amount of approx. EUR 100 million, which in the opinion of the management board of METRO AG will be more than outweighed by the advantages inherent to the demerger.

Intra-group restructuring is no alternative

The positive effects and envisaged objectives resulting from the demerger of METRO GROUP cannot be achieved by way of another restructuring conducted merely within the group. A further decentralisation of the Business Divisions of MWFS and CE, e.g. through a divisional organisation, would not result in the envisaged elimination of the conglomerate discount for the METRO share. Investors would also not be able to individually invest in the business divisions and thus diversify independently. Furthermore, this alternative would not have offered the option to use 'pure' shares as acquisition currency. In the opinion of the management board of METRO AG, the reasons argue predominantly in favour of splitting up METRO GROUP.

2. Decision in favour of splitting up of METRO GROUP by way of demerger pursuant to the UmwG

The management board of METRO AG has intensively examined and weighed up against each other the possibilities available to implement the demerger of METRO GROUP. Other than by way of a demerger pursuant to the UmwG, the split up of METRO GROUP could also be implemented by selling shares through an initial public offering (IPO) or an M&A transaction. In addition, it would be possible to opt for a distribution by way of dividend in kind to the METRO shareholders.

In the opinion of the management board of METRO AG, the demerger is the best option for METRO AG and its shareholders in the prevailing circumstances as compared to the other transaction alternatives. This is so because of the following reasons:

- The demerger allows for the splitting up of METRO GROUP to the greatest possible extent into two independent companies listed on German stock exchanges. In contrast, a comparable splitting up of a listed company by means of a public offer of shares of a corporate division in the course of an IPO is usually not possible, even in the case of a positive capital markets environment.
- Under a demerger, the new shares will be distributed directly to the shareholders. A divestment does not take place for the time being. This gives METRO shareholders the possibility to decide separately on their interests in both companies with their clearly defined investment profiles.
- The successful implementation of the demerger does not depend on a positive capital market environment as it would have been the case with an initial public offering of shares. If approval is granted by the general meeting of METRO AG, the listing of the new shares in the course of the demerger will follow a clearly defined schedule, providing both METRO AG and MWFS AG with a sound basis for planning.
- In the case of a demerger, METRO shareholders will not be exposed to a discount on the value of the Business Division that is to be hived off, as the decision is up to themselves whether to realise the value reflected on the stock exchange or not. In the event of an IPO, a market-induced discount could not have been ruled out. Such a discount would have been exclusively for the benefit of newly investing shareholders, but not for existing shareholders.

The demerger also entails disadvantages for METRO AG that have been taken into account when making the decision on the demerger:

- The demerger requires the approval of the general meeting with a majority of 75 percent of the represented voting capital stock. The management board is confident that it will receive the required approval of the required majority of the general meeting for the demerger. Each of the three principal shareholders has indicated to the management board of METRO AG that it would support the demerger.
- It can be assumed that the shareholder structure of both companies will change, in particular directly after the consummation of the spin-off. It is true that each of the three current principal shareholders of METRO AG is subject to lock-ups that are customary in the market regarding the shares in both companies. Yet, it cannot be ruled out that specific institutional investors would sell their shares in one

or both of the companies due to their investment policies or targets. Fluctuations may have an adverse effect on the price of the shares of both companies. The management boards of the companies, however, are confident that planned roadshows and talks with investors immediately prior to the consummation of the spin-off will generate sufficient interest in the shares of both companies, thus minimising such influence on the share price to the greatest extent possible.

- In the case of a demerger, METRO AG – in contrast to the case of an IPO or an M&A transaction – will not generate direct profits from the demerger (cf. however regarding the possibility of selling the interest in MWFS AG of 9 percentage points indirectly held by METRO AG, Section III.4.). The shareholders of METRO AG would not be prejudiced thereby, because they receive MWFS Shares in consideration of the transfer of the assets to MWFS AG. As regards METRO AG, it currently does not depend on generating profit from the transaction, because it has sufficient liquidity available to conduct its business and fulfil its liabilities.
- The structure of the overall transaction is a complex one due to the combination of two transformation measures and the requirements under tax law regarding the preservation of certain value ratios. Specific tax-related implementation risks remain, which are mainly risks attributable to the assessment sensitivity of the transformation structure (cf. Section VII.1.b)(2).).
- It is true that in the event of a demerger, a party to the Demerger Agreement will be held jointly liable under transformation law for the liabilities allocated to the respective other party to the Demerger Agreement (cf. Section VII.3.a).). However, the parties agreed in the Demerger Agreement to hold each other harmless. In the view of the management boards of METRO AG and MWFS AG, these indemnification claims are of value.
- In specific circumstances, transformation law entitles creditors to demand from METRO AG or MWFS AG to provide collateral security (cf. Section VII.3.a).). In this context it is necessary, among other things, to provide *prima facie* evidence that the fulfilment of the claim is prejudiced by the demerger. In the opinion of the management board of METRO AG, the requirements for a collateral security are not fulfilled due to the capital and financial resources available to both companies.

- The demerger and the required preparation measures will probably result in transaction costs in the amount of approx. EUR 100 million (see also Section V.15).
- As a result of the demerger and the creation of two independent companies listed on German stock exchanges, the costs for corporate bodies and administration will increase (see also Sections VIII.2 and IX.2).

The management board of METRO AG is convinced that the aforementioned advantages of the demerger clearly outweigh the related disadvantages that are containable due to the above-mentioned reasons.

a) Reasons against an initial public offering

In the opinion of the management board of METRO AG, the following reasons speak against an initial public offering:

Under an IPO of the MWFS Business Division or the CE Business Division, it would not have been possible to split up METRO GROUP fully and in a timely manner to the same extent as under a demerger pursuant to the UmwG. In the case of an IPO, it is usually only possible to place a minority interest at an appropriate price. If a larger block of shares is placed, price discounts cannot be ruled out. Any remaining interest of METRO AG could only have been reduced in the course of further offerings with due regard to the market, and only in the medium term. The advantages envisaged by the splitting up of METRO GROUP, including in particular the elimination of the conglomerate discount, could not be achieved in a timely manner and in the same way as in the case of the demerger.

Compared to a demerger, an IPO provides less transaction security, since its success is dependent on the capital market environment. Especially with regard to the achievable price, in the case of a difficult capital markets environment and depending on the volume of the block of shares placed, a discount may apply. This would be neither in the interest of METRO AG, nor in the interests of its shareholders. In the case of an IPO, the shareholders of METRO AG would furthermore have no subscription rights to the new shares in the company.

In addition, METRO AG does currently not depend on generating proceeds from the transaction, because it has sufficient liquidity available to conduct its business and fulfil its liabilities.

In the opinion of the management board of METRO AG, an initial public offering of the CE Business Division was furthermore opposed by the fact that pursuant to the articles of association of Media-Saturn-Holding GmbH the usual lock-up applies with respect to the direct, and also the indirect, transfer of interests in Media-Saturn-Holding GmbH. This lock-up, too, would have made it impossible to initiate an offering of the CE Business Division with the required level of transaction security.

Should a sale of the entirety of the shares in MWFS AG have occurred following an IPO, this would ultimately have resulted in a disclosure of hidden reserves. Although this would probably not have meant that the loss carry forwards would have been eliminated, they would still have had to be used to a certain extent in the context of the taxation of the IPO's proceeds.

b) Reasons against an M&A transaction

In the opinion of the management board of METRO AG, the following reasons argue against a sale of one of the two Business Divisions by way of a company sale:

An M&A transaction to sell the MWFS Business Division or the CE Business Division could not be implemented within a time frame comparable to that of a demerger with the same level of transaction security. For some of the major competitors, there would have been significant cartel law restrictions. Besides, in view of the financial dimension of the transaction, the group of parties potentially interested in an acquisition with sufficient acquisition funds would have been limited. Against this background, the outcome and success of a demanding and presumably time-consuming sale and negotiation process would have been fraught with uncertainties.

In the opinion of the management board of METRO AG, a sale would not have been in the best interest of the shareholders either. Shareholders holding on to their investment in the Business Division sold would not have been able to invest in new shares of the Business Division sold on the capital market. This is particularly important with a view to the fact that both companies do not actually depend on the proceeds generated from an M&A transaction, as they have sufficient liquidity available to conduct their businesses and fulfil their liabilities.

With respect to the CE Business Division this was furthermore opposed by the fact that pursuant to the articles of association of Media-Saturn-Holding GmbH the usual restrictions on the disposal of shares apply with respect to the direct, and also the indirect, transfer of interests in Media-Saturn-Holding GmbH. These restrictions on the disposal of shares would have meant that an M&A transaction for the CE Business Division with a

simultaneous assumption of the rights and obligations vis-à-vis the co-shareholder in Media-Saturn-Holding GmbH could not be implemented with the required degree of transaction security.

Against this backdrop, the management board of METRO AG did not see a necessity to further entertain the option of a sale through a dual or even triple track process, i.e. preparing the demerger, an M&A transaction and/or an IPO all at the same time, instead of a straightforward decision in favour of the demerger. This applies, in particular, considering the fact that such an approach tends to massively slow down the processes because of the high degree of complexity.

c) Reasons against a dividend in kind from the MWFS Business Division

The alternative of distributing a dividend in kind has no substantial advantages over the option of a demerger, but entails the following significant disadvantages:

- Whilst a spin-off is basically subject to advantageous tax rules for shareholders in Germany (in specific circumstances, acquisition costs and/or carrying amounts allocated to the new and existing shares can be amortised; i.e. a realisation of profits is prevented, dividend withholding tax does, as a rule, not accrue either), a distribution in kind is, as a rule, treated as a taxable profit for the shareholders and would therefore, as a rule, be subject to dividend withholding tax. This is why, as a rule, a distribution in kind has negative tax implications.
- Furthermore, a dividend in kind does not offer the same degree of transaction security as a demerger, because stock corporation law does not provide for a release procedure regarding shareholder resolutions (cf. regarding the release procedure in the event of a demerger, Section V.9.).

3. Reasons for a demerger of the MWFS Business Division

Possible options for splitting up METRO GROUP by way of demerger are either by way of spin-off of the MWFS Business Division or by way of spin-off of the CE Business Division. The management board of METRO AG has thoroughly analysed both alternatives and weighed them up against each other, and then decided in favour of a spin-off of the MWFS Business Division.

A spin-off of the CE activities would have been implemented by transferring the 100 percent interest of METRO AG in METRO Kaufhaus und Fachmarkt Holding GmbH, which holds 78.38 percent of the shares in Media-Saturn-Holding GmbH. Such a spin-off

would have been exposed to substantial risks as far as transaction security is concerned. The articles of association of Media-Saturn-Holding GmbH contain the customary lock-up provisions limiting the indirect and direct transferability of shares in Media-Saturn-Holding GmbH, especially with a view to approval requirements, pre-emption rights and redemption rights. It cannot be determined with the required degree of security whether these rights would have delayed or even precluded the successful implementation of the transaction. In this respect, transaction alternatives were also examined and reviewed, but none of them made it possible to exclude comparable risks.

In the event of a spin-off of the MWFS Business Division, such risks or comparable risks do not exist. The shareholder rights of co-shareholder Convergenta Invest GmbH in Media-Saturn-Holding GmbH can neither delay nor preclude the successful implementation of the transaction.

The spin-off of the MWFS Business Division is indeed more complex and effortful compared to the spin-off of the CE Business Division, due to the existing group structures. These disadvantages, however, are outweighed by a significantly higher degree of transaction security.

4. Decision in favour of the interest in MWFS AG remaining with METRO AG

The management board of METRO AG has decided that, following the consummation of the demerger, an interest in an amount totalling approx. 10 percent of the capital stock and the voting rights attaching to MWFS AG is to remain with METRO AG for the time being. The interest is an important component for the capital resources and the capital structure of METRO AG. This is to ensure that METRO AG, in its capacity as parent company of the CE Business Division, has sufficient finances in place for its future business activities and the liabilities it has been allocated.

The interest of METRO AG in MWFS AG in an amount of 9 percent of the capital stock is conveyed through the already existing interest of METRO AG via METRO Consumer Electronics Zwischenholding GmbH & Co. KG in MWFS AG. The envisaged structure for the transaction is not encumbered by a blocking period for this interest. Hence, it may be reduced following a customary holding period of six months (with due regard to the market) and is therefore to be allocated as a current asset. The interest in MWFS AG held by METRO AG in the amount of 1 percent of the capital stock is to be granted in consideration of the transfer of the Hive-Down Assets. This share in the interest is subject to a seven-year blocking period, i.e. it may be sold only subject to presumably major income taxes (c.f. Section VII.1.b)(2).).

The entire interest in MWFS AG held by METRO AG is not a strategic, but a mere financial interest. It is not linked to any entrepreneurial role at MWFS AG. The METRO shareholders are not diluted commercially through the interest METRO AG holds in MWFS AG, but only as far as their interest and voting right quotas are concerned. For example, a shareholder holding 10 percent of the METRO Ordinary Shares will, due to the 10 percent interest in MWFS AG held by METRO AG, hold only 9 percent of the ordinary shares (10 percent from a total of 90 percent of the ordinary shares issued to the holders of ordinary shares in METRO AG in the context of the demerger capital increase). Given that the shareholders remain shareholders of METRO AG, there will actually be no asset-related dilution. The shareholders' interest is only held by an intermediary in the amount of the interest held by METRO AG in MWFS AG

5. Decision in favour of a demerger by way of acquisition

The demerger of the MWFS Business Division is intended to be implemented through a demerger by acquisition. The difference between a demerger by way of acquisition (§ 123 para. 2 no. 1, para. 3 no. 1 UmwG) and a demerger by setting up a new company (§ 123 para. 2 no. 2, para. 3 no. 2 UmwG) is that the acquiring legal entity (MWFS AG) has already existed previously in the case of a demerger by way of acquisition. The actual existence of MWFS AG before the demerger becomes effective is a key requirement for the transaction structure proposed by the management board of METRO AG, according to which 10 percent of the capital stock remains with METRO AG, of which only 1 percent is subject to a lock-up period of seven years (for the blocked period applying to the 1 percent share of METRO AG, cf. Section VII.1.b)(2).). The prior contribution of assets to an existing acquiring legal entity with a view to creating an interest of approx. 9 percent of the capital stock that is not subject to lock-up (cf. Sections IV.1.a) and IV.1.b)) requires that the receiving entity is already in existence.

In addition, this makes it possible to combine the hive-down and the spin-off. In this respect, the advantages of the so-called partial universal succession pursuant to the UmwG can be used (see Section V.9.). The combination further ensures that the effectiveness of both measures can be linked to each other so that the hive-down cannot become effective without the subsequent spin-off, and the spin-off cannot become effective without the prior hive-down.

Furthermore, using MWFS AG as the receiving entity makes it possible to maintain, and use in the future, the corporation tax loss carry forward existing at MWFS AG in an amount of approximately EUR 2.7 billion and trade tax loss carry forward in an amount of approximately EUR 2.9 billion.

IV. Preparations for the splitting up of METRO GROUP

The splitting up of METRO GROUP is essentially to be effected by transferring the assets of the MWFS Business Division by way of hive-down and spin-off pursuant to the UmwG from METRO AG as transferring entity to MWFS AG as receiving entity. Previously, various assets from the MWFS Business Division had already been transferred to MWFS AG.

In the context of preparing for the splitting up of METRO GROUP, the Business Divisions MWFS and CE were separated and independent organisational structures have been created. Among other things, the existing operations (including the Corporate Center) on the METRO AG level were divided into two different operational parts with their own distinct premises and organisation as per the end of 30 September 2016.

Also with a view to preparing the splitting up of METRO GROUP, MWFS AG (former METRO Wholesale & Food Specialist GmbH) has been activated as receiving entity of the demerger by contributing assets from the MWFS Business Division and then made eligible for listing on German stock exchanges. In this context, the other asset components of the MWFS Business Division were determined that are intended to be transferred to MWFS AG by way of hive-down and spin-off. At the same time, the assets from the CE Business Division have been determined that remain with METRO AG.

When determining the asset components, it has been ensured that the value of the previously contributed assets represent approx. 9 percent, the value of the Hive-Down Assets approx. 1 percent, and the value of the Spin-Off Assets approx. 90 percent of the going concern value of the MWFS Business Division in order to avoid negative tax implications (for more details, see Section VII.1.b)(2).). The value ratios that applied in this respect were those applicable on the Relevant Demerger Date, i.e. on 30 September 2016, taking into account subsequent contributions made.

1. Preparatory steps

a) Measures referring to the receiving entity METRO Wholesale & Food Specialist AG

In preparation of the demerger, METRO Wholesale & Food Specialist AG has been determined as receiving entity of the MWFS Business Division because of the existing significant taxable loss carry forward.

For this purpose, METRO AG acquired METRO Wholesale & Food Specialist GmbH, which was part of METRO GROUP and, in order to remove the previously existing ad-

verse balance, contributed to the capital reserves a limited partnership interest in METRO PROPERTIES GmbH & Co. KG in the amount of approx. 92.9 percent and also its one third interest in the general partner of METRO PROPERTIES GmbH & Co. KG (for more details, cf. Section II.3.b)). Then, METRO AG contributed the sole share held by it in METRO Wholesale & Food Specialist GmbH to its subsidiary, which was newly established for this purpose, METRO Consumer Electronics Zwischenholding GmbH & Co. KG. With a view to the value ratios intended for tax purposes, funds have been withdrawn in the amount of EUR 450 million on 30 September 2016 from the existing free capital reserves (§ 272 para. 2 no. 4 HGB) of METRO Wholesale & Food Specialist AG. The claim underlying the withdrawal was transformed into a loan existing today – to the extent still outstanding – between METRO AG as the lender and MWFS AG as the borrower (with regard to the extent of the continued existence of the loan after the spin-off see below as well as Section VII.1.a).).

With a view to the future listing on German stock exchanges, METRO Wholesale & Food Specialist GmbH changed its legal form into a German *Aktiengesellschaft* (stock corporation) and subsequently reduced its capital in order to provide MWFS AG with a target share capital after the demerger which is attractive for the capital markets. The number of shares corresponds to the envisaged interest of approximately 9 percent of the future capital stock of MWFS AG (for further details, cf. Section II.3.b)).

b) Pre-transfer of material parts of the operations to METRO Wholesale & Food Specialist AG

With economic effect and also with legal effect (with one exception) as of 30 September 2016, 12:00 p.m., METRO Groß- und Lebensmitteleinzelhandel Holding GmbH and its wholly owned subsidiary, METRO Erste Erwerbsgesellschaft mbH, transferred substantially all interest in the companies of the METRO Cash & Carry and Real sales lines (in particular with the exception of a 6 percent interest of METRO AG in METRO Cash & Carry International GmbH) to METRO Wholesale & Food Specialist GmbH. The control and profit-and-loss transfer agreements with METRO Groß- und Lebensmitteleinzelhandel Holding GmbH were cancelled as of the end of 30 September 2016. New control and profit-and-loss transfer agreements between METRO Wholesale & Food Specialist GmbH (as controlling company) and the German companies sold (as dependent companies) were created as of the business year starting on 1 October 2016.

The purchase price for the interests transferred corresponds to the respective market values of the interests as of 30 September 2016, 12:00 p.m. They were agreed on a preliminary basis in most cases only and subsequently determined through a company assessment conducted by an independent auditor pursuant to the IDW S1 standard. For

the most part, an interest-bearing deferral has been granted for the purchase prices. As a result, METRO Groß- und Lebensmitteleinzelhandel Holding GmbH holds, directly and indirectly through its subsidiary, METRO Erste Erwerbsgesellschaft mbH, claims for payment of the purchase price against MWFS AG totalling approx. EUR 6.6 billion plus interest in the amount of 0.1 percent per annum as of 30 September 2016, 12:00 p.m. The claims for payment are secured by comfort letters of METRO AG for the benefit of the respective seller.

c) Separation of the activities of METRO AG into an MWFS Branch of Activity and a CE Branch of Activity

As per 30 September 2016, METRO AG had approx. 1,100 employees. Of these employees, approx. 440 persons worked for the operational activities of the MWFS Business Division. The remaining approx. 660 persons worked in the previous Corporate Center of METRO AG. In order to prepare for the demerger of METRO GROUP, the operations existing on the METRO AG level (including the Corporate Center) were divided into two different branches of activity with their own distinct premises and organisation as per the end of 30 September 2016. Since that date, the functions for the administration and management of the shareholdings of the CE Business Division as well as the functions for the management and administration of METRO AG as a management holding company listed on German stock exchanges form the "**CE Branch of Activity**" which is part of the CE Business Division. As per 30 September 2016, approx. 50 members of staff were employed in the CE Branch of Activity. The other functions form the "**MWFS Branch of Activity**" that is part of the MWFS Business Division. The MWFS Business Division is responsible for the central administration and operative control of the company interests of the MWFS Business Division. Larger units with the MWFS Branch of Activity further assume additional functions in connection with the operative business of the MWFS Business Division and hence form operative units; these include, in particular, the functions Supply Chain Management, Own Brand Management and also Sourcing Food and Non-Food. The MWFS Branch of Activity employed an overall number of approx. 1,050 members of staff as per 30 September 2016. As to the measures planned for personnel adjustments and reorganisation, see Section XI.6.

The management board and the supervisory board of METRO AG have not been functionally allocated to either of the branches of activity. As the two organs will carry responsibility for the company, and thus for both branches of activity until the demerger takes effect, they cannot be allocated to either of the branches of activity.

(1) Measures referring to the separation of the branches of activity

The separation of the branches of activity has not only been effected with a view to the allocation of staff to the branches of activity, but also with a view to organisation, function and premises. The measures taken for the purpose of separating the branches of activity include in particular:

- As per 1 October 2016, the employees of the MWFS Branch of Activity have acted exclusively for the MWFS Branch of Activity. Among other things, this is shown externally by adding the supplement "Wholesale & Food Specialist Company" in letters, signatures, business cards and contracts. In analogy, the CE Branch of Activity uses the supplement "Consumer Electronics Company".
- The MWFS Branch of Activity and the CE Branch of Activity have operated with distinct company codes since 1 October 2016. Each transaction of an employee from the MWFS Branch of Activity and of the CE Branch of Activity is allocated to the company code of the respective branch of activity.
- The CE Branch of Activity has rented separate office premises on the METRO Campus in Düsseldorf for the employees of the CE Branch of Activity from METRO Services GmbH (MWFS Business Division).

(2) Corporate Center functions

Each of the two branches of activity of METRO AG has independent responsibility for the Corporate Center functions of the respective Business Division as per the end of 30 September 2016. The Corporate Center of the CE Business Division on the METRO AG level that has been established as per the end of 30 September 2016 (the "**CE Corporate Center**") had approx. 50 employees as per 30 September 2016. The Corporate Center of the MWFS Branch of Activity (the "**MWFS Corporate Center**") consists of the predominant part of the previous Corporate Center of METRO AG and included approx. 610 employees as per 30 September 2016. Both Corporate Centers have own personnel available for the key functions of the Corporate Center, or are about to fill such positions shortly. During a transitory period, both Corporate Centers are mutually dependent on receiving support from the respective other Corporate Center. This applies in particular with respect to the CE Corporate Center that is responsible for adherence to the statutory obligations of the undivided METRO AG until the consummation of the demerger, including in particular financial reporting and the Shareholder Meeting of METRO AG. Against this backdrop, the MWFS and CE Business Divisions have provided specific services at arm's length remuneration terms since the Relevant Demerger Date. These services are charged between both Business Divisions (as to the relation-

ship for the provision of services following the consummation of the demerger, cf. Section X.2). With a view to pension management, the CE Branch of Activity has also entered into service agreements with the companies of the future MWFS Group, on the basis of which the CE Branch of Activity provides administrative and other services to them until the demerger takes effect.

d) Separation of the MWFS and CE Business Divisions on group level

The MWFS and CE Business Divisions also had to be separated on group level by the end of 30 September 2016. To do so, a reorganisation of interests had become necessary to some extent. In addition, the legal relationships between the companies of the MWFS and the CE Business Divisions had to be specified by the end of 30 September 2016 at the latest to ensure that the companies operate as unrelated third parties. In more detail:

(1) Reorganisation of interests

Already prior to the decision to split up METRO GROUP, the various subsidiaries and associated companies of METRO AG had been, in essence, allocated to either the MWFS Business Division or the CE Business Division. This is why the restructuring of interests by transfer of shares from one Business Division to the other Business Division was essentially only necessary with respect to METRO Innovations Holding GmbH, having its seat in Düsseldorf, which held interests and loans of the MWFS Business Division and the CE Business Division. In September 2016, the interests and loans attributable to the CE Business Division were transferred to the subsidiary of METRO AG allocable to the CE Business Division, and METRO Innovations Holding GmbH with the remaining interests and loans referring to the MWFS Business Division transferred to the MWFS Business Division.

(2) Miscellaneous

Within METRO GROUP, there are various supporting (cross-sectional) companies in the "Others" segment that provide performance or services to both the MWFS Business Division and the CE Business Division. These companies have not been split up, but, with the exception of a minor interest of METRO AG in METRO PROPERTIES GmbH & Co. KG (cf. Section X.1), are transferred to MWFS Group. To the extent the CE Business Division depends on real property and/or services from these companies, the companies of the CE Business Division will be entitled to use such performance or services also after the 30 September 2016 on the bases of existing or new contracts. This includes in particular services of METRO Systems GmbH in the field of information

technology. With respect to service/performance relationships continuing beyond the effectiveness of the demerger, cf. Sections X.2. and X.3.

Since 1 October 2016, the companies of the MWFS Business Division and the CE Business Division have separate and independent insurance policies in place, including in particular for risks in the field of business interruption, third-party liability, including product and environmental liability, loss of goodwill, accidents and political risk. The insurance policies until 30 September 2016 partially cover risks attributable to both the MWFS Business Division and the CE Business Division and include extended reporting periods beyond 1 October 2016. The Group Separation Agreement contains provisions in this respect (see Section XII.2.b)). An exception applies with respect to D&O and penal protection insurance cover that are about to be separated. D&O insurance cover is to be transformed in a run-off policy for METRO AG when the spin-off takes effect.

The companies of the CE Business Division, including in particular METRO Kaufhaus und Fachmarkt Holding GmbH, have been totally eliminated from the METRO GROUP cash pool system prior to the Relevant Demerger Date. For the CE Business Division of METRO AG, independent structures for cash management have been established. Since then, liquidity is supplied autonomously. The previous cash management system of METRO AG is now exclusively managed by the MWF as Business Division.

On the basis of service agreements concluded at arm's length with respect to remuneration, METRO Finance B.V. as a company belonging to the MWFS Business Division will take over the hedging business for the companies of the CE Business Division until the spin-off taking effect. At the time when the spin-off takes effect, any ongoing hedges will be terminated or acquired by METRO AG.

Group-wide collateral between companies of the MWFS Business Division and companies of the CE Business Division is generally to be replaced upon the spin-off taking effect. In the event of a continuing liability METRO AG and MWFS AG have agreed on reciprocal indemnifications (cf. Section XII.2.a)).

2. Determination of asset components of the MWFS Business Division

Following completion of the preparation measures, the MWFS Business Division consists of three asset components: (1) the assets contributed previously by MWFS AG; (2) the assets to be transferred by way of the hive-down; and (3) the assets to be transferred by way of the spin-off.

When determining the respective assets, it has been ensured that the value of the previously contributed assets represent approx. 9 percent, the value of the Hive-Down Assets approx. 1 percent, and the value of the Spin-Off Assets approx. 90 percent of the going concern value of the MWFS Business Division prior to the spin-off in order to avoid negative tax implications (for more details, see Section VII.1.b)(2)). The value ratios that were applied in this respect were those applicable on the Relevant Demerger Date, i.e. on 30 September 2016, taking into account subsequent contributions made (especially of receivables and loans granted). The determination of asset components has been made by an independent auditor in accordance with IDW standards on the basis of measurements as of the measurement date on 30 September 2016. The underlying valuations were validated and confirmed by another auditing firm.

a) Existing assets of METRO Wholesale & Food Specialist AG as receiving entity

The assets contributed previously by MWFS AG consist mainly of the limited partnership interest in METRO PROPERTIES GmbH & Co. KG in the amount of approx. 92.9 percent of the entire limited liability capital contributed by METRO AG to MWFS AG, as well as of the 1/3 interest in the general partner of METRO PROPERTIES GmbH & Co. KG, and of the interests in the MWFS Business Division that have been transferred from METRO Groß- und Lebensmitteleinzelhandel Holding GmbH and METRO Erste Erwerbsgesellschaft mbH to MWFS AG. In addition, there are net initial assets in the amount of approx. EUR 30 million. These are offset by purchase price liabilities from the acquisition of interests in the MWFS Business Division totalling approx. EUR 6.6 billion. Further, there is a loan payable in the amount of EUR 450 million to METRO AG as a result of the withdrawal made on 30 September 2016, which in December 2016 was contributed to MWFS AG in an amount of approx. EUR 233 million to achieve the intended value relations and, as a consequence, ceased to exist due to a confusion of rights. On the whole, the value of MWFS AG as of 30 September 2016, 12:00 p.m., taking into account this contribution and prior to the hive-down and spin-off, amounted to approx. 9 percent of the total enterprise value of the MWFS Business Division.

b) Hive-Down Assets

The "**Hive-Down Assets**" essentially include the MWFS Branch of Activity (including the pertaining staff and operating and business equipment), intangible assets of METRO AG, including in particular licence agreements and rights to use regarding the "METRO" and "real,-" brands, the interest in METRO Dienstleistungs-Holding GmbH, in METRO Cash & Carry International GmbH (6 percent) and further interests (e.g. 25 percent interests in several distribution companies). The liabilities attributable to the

Hive-Down Assets include the entire debt towards third parties (notes, assignable loans, et cetera) and specific other liabilities of METRO AG.

The market value of the Hive-Down Assets amounted to approx. 1 percent of the entire going concern value of the MWFS Business Division as per 30 September 2016, 12:00 p.m.

c) **Spin-Off Assets**

The "**Spin-Off Assets**" include essentially the interest in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, holding together with its subsidiary METRO Erste Erwerbsgesellschaft mbH the claim to payment of the purchase price against MWFS AG from the sale of interests of the MWFS Business Division in the amount of approx. EUR 6.6 billion. Moreover, the Spin-Off Assets include the control and profit-and-loss transfer agreement with METRO Groß- und Lebensmitteleinzelhandel Holding GmbH as well as the resulting obligation to provide compensation for losses incurred in the 2015/16 financial year. In December 2016, to achieve the intended value relations further assets with a total value of approx. EUR 1.7 billion (as per 30 September 2016, 12:00 p.m.) were contributed to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH. This was achieved, in part, by transfer of certain assets (including, in particular, receivables and loans granted) which are allocated to METRO AG for this purpose in the Demerger Agreement, and in part by assumption of a cash contribution obligation by METRO AG which is deferred and subject to payment of interest (cf. in more detail Section XII.1.r)).

Overall, the value of the Spin-Off Assets, taking into account subsequent contributions made, amounts to approx. 90 percent of the overall going concern value of the MWFS Business Division.

3. **Assets of the CE Business Division**

The assets remaining with METRO AG following the hive-down and spin-off ("**CE Assets**") consist mainly of the assets of the CE Business Division. These concern essentially the 100 percent interest in METRO Kaufhaus und Fachmarkt Holding GmbH, which, in turn, holds the majority interest in Media-Saturn-Holding GmbH, the CE Branch of Activity (including the pertaining staff and operation and business equipment), the interest in METRO Consumer Electronics Zwischenholding GmbH & Co. KG, which holds the approx. 9 percent interest in MWFS AG, the limited partnership interest of slightly over 6.61 percent in METRO PROPERTIES GmbH & Co. KG, the employment contracts with members of the management board, pension obligations towards active staff of the

CE Business Division, each and any pension liabilities of METRO AG towards non-active staff, as well as liquid funds and receivables. This also includes a partial receivable in the amount of approx. EUR 204 million of the loan receivable of METRO AG vis-à-vis MWFS AG resulting from the withdrawal (initial amount: EUR 450 million). This partial receivable as well as another receivable in the amount of EUR 17 million and liquid funds of EUR 106 million are earmarked for payment of the proposed dividend of METRO AG for the 2015/16 financial year in an amount of approx. EUR 327 million. The CE Assets further include the assets and legal status of METRO AG as a public company listed on German stock exchanges.

V. Legal implementation of the splitting up of METRO GROUP through hive-down and spin-off

The demerger of METRO GROUP is mainly effected by transferring assets of the MWFS Business Division by way of hive-down and spin-off pursuant to the UmwG from METRO AG as transferring entity to MWFS AG as receiving entity.

Following the demerger of METRO GROUP, about 90 percent of the capital stock of MWFS AG are to be directly held by the shareholders of METRO AG. These MWFS Shares are to be granted as consideration for the spin-off. The remaining approximately 10 percent of the capital stock of MWFS AG are to be held by today's METRO AG. In this context, METRO AG is to be granted approximately 1 percent of the MWFS Shares as consideration for the hive-down. The remaining 9 percent of the MWFS Shares are held by METRO AG already today via an intermediary holding company.

1. Transferring and receiving entity

In both the hive-down and the spin-off, METRO AG and MWFS AG are involved as transferring entity and receiving entity, respectively. Today, METRO AG is the indirect sole shareholder of MWFS AG via its wholly-owned subsidiary, METRO Consumer Electronics Zwischenholding GmbH & Co. KG.

2. Hive-down pursuant to § 123 para. 3 no. 1 UmwG (hive-down by way of acquisition) and Hive-Down Assets

From a legal perspective, the hive-down is effected in form of a hive-down by way of acquisition pursuant to § 123 para. 3 no. 1 UmwG. Accordingly, METRO AG as transferring entity transfers a portion of its assets in their entirety to be acquired by MWFS AG as re-

ceiving entity. As consideration for the transfer of the Hive-Down Assets, MWFS AG as receiving entity will grant newly created MWFS Shares to METRO AG, i.e. 3,601,217 no-par value MWFS Ordinary Shares made out to the bearer and 29,755 no-par value non-voting MWFS Preference Shares made out to the bearer. In total, METRO AG will receive approximately 1 percent of MWFS AG's capital stock, as it will exist after the completion of the demerger. For more information on the Hive-Down Assets that will be transferred by METRO AG by way of hive-down, reference is made to Section IV.2.b) and Section XII.1.f).

3. Spin-off pursuant to § 123 para. 2 no. 1 UmwG (spin-off by way of acquisition) and Spin-Off Assets

From a legal perspective, the spin-off is effected in the form of a spin-off by way of acquisition pursuant to § 123 para. 2 no. 1 UmwG. Accordingly, METRO AG as transferring entity transfers a portion of its assets in their entirety to be acquired by MWFS AG as receiving entity. As consideration for the transfer of the Spin-Off Assets, MWFS AG as receiving entity will grant newly created MWFS Shares to the shareholders of METRO AG. One MWFS Ordinary Share will be granted for each METRO Ordinary Share, and one MWFS Preference Share will be granted for each METRO Preference Share. A total of 324,109,563 no-par value MWFS Ordinary Shares made out to the bearer and 2,677,966 no-par value non-voting MWFS Preference Shares made out to the bearer will be granted. Thus, the shareholders of METRO AG will receive approximately 90 percent of MWFS AG's capital stock in the context of the spin-off.

For more information on the Spin-Off Assets that will be transferred by METRO AG by way of spin-off, please refer to Section IV.2.c) and Section XII.1.m).

4. Hive-down and spin-off agreement (Demerger Agreement)

The hive-down and spin-off are agreed as legally independent measures within a combined hive-down and spin-off agreement (Demerger Agreement, as defined in Section I.), which was entered into by METRO AG and MWFS AG on 13 December 2016. The Demerger Agreement, which will be submitted for approval by the respective general meetings of METRO AG and MWFS AG, includes the mandatory disclosures pursuant to § 126 UmwG in relation to the hive-down and spin-off. Among other things, these include provisions for the determination of the Hive-Down Assets and the Spin-Off Assets as well as details regarding the transfer of the Hive-Down Assets and the Spin-Off Assets and the respective consideration to be granted. In addition, provisions were

agreed in view of the demerger of METRO GROUP. The Demerger Agreement, including its Annexes, is described in Section XII.

The Demerger Agreement will be submitted to the existing group works council of METRO AG and the existing works council of METRO AG (§ 126 para. 3 UmwG). MWFS AG does not have a works council, which means that the Demerger Agreement cannot be submitted.

5. Relevant Hive-Down Date and Relevant Spin-Off Date, right of withdrawal, Tax Transfer Effective Date

The transfer of the Hive-Down Assets and the Spin-Off Assets is to be made in the relationship between METRO AG and MWFS AG for financial reporting purposes under commercial law in each case with economic effect as at 1 October 2016, 0:00 a.m. (Relevant Hive-Down Date and Relevant Spin-Off Date). From the relevant date, the transactions conducted in the relationship between METRO AG and MWFS AG which affect the Hive-Down Assets or the Spin-Off Assets, are to be effected for financial reporting purposes under commercial law for the account of MWFS AG. It was not agreed to postpone the Relevant Hive-Down Date or Relevant Spin-Off Date. If the hive-down has not taken effect by 31 October 2017, either Party may withdraw from this Demerger Agreement.

The fiscal transfer effective date for the hive-down and the spin-off is 30 September 2016, 12:00 p.m. (in this report jointly referred to as the "**Tax Transfer Effective Date**"; for further details see Section VII.1.b)(2)).

6. Demerger audit and demerger audit report

The spin-off set out in the Demerger Agreement has to be audited pursuant to § 125 sent. 1 in conjunction with § 9 UmwG by a court-appointed expert demerger auditor. Upon a joint application by the management board of METRO AG and the management of METRO Wholesale & Food Specialist GmbH (later MWFS AG), Düsseldorf Regional Court appointed Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, as joint expert demerger auditor by way of resolution dated 22 August 2016 in accordance with § 125 sent. 1 in conjunction with §§ 9 para. 1, 10 para. 1, para. 2 UmwG. The demerger auditor issues a written report about the findings of the audit pursuant to § 125 sent. 1 in conjunction with § 12 UmwG.

The hive-down set out in the Demerger Agreement is not subject to a demerger audit pursuant to § 125 sent. 2 UmwG.

7. General meetings of METRO AG and METRO Wholesale & Food Specialist AG

The Demerger Agreement will become effective only if the general meetings of both METRO AG and MWFS AG approve the Demerger Agreement with a majority of at least three quarters of the capital stock represented at the point in time of the adoption of the resolution (§ 125 sent. 1 in conjunction with §§ 13 para. 1, 65 para. 1 UmwG) and further with the simple majority of the votes cast (§ 133 para. 1 AktG). Holders of non-voting preference shares are not entitled to vote and will not be included in the calculation of the capital majority. A special resolution of the holders of preference shares of METRO AG is not required (cf. § 125 sent. 1 in conjunction with § 65 para. 2 UmwG). The Demerger Agreement will be submitted for approval by the ordinary general meeting of METRO AG on 6 February 2017. The three principal shareholders of METRO AG (cf. Section II.2.c)) have all signalled their readiness to support the splitting up of the METRO GROUP.

METRO AG will ensure that METRO Consumer Electronics Zwischenholding GmbH & Co. KG, in its capacity as sole shareholder of MWFS AG, will grant its approval to the Demerger Agreement in a general meeting of MWFS AG. It is intended that the approval is granted in a general meeting of MWFS AG that will be held after the general meeting of METRO AG.

8. Capital increase to implement hive-down and spin-off; audit of post-formation acquisition and contribution in kind

In order to implement the hive-down, MWFS AG will increase its capital stock by EUR 3,630,972 through the issue of 3,601,217 no-par value ordinary bearer shares and 29,755 no-par value non-voting preference bearer shares (Hive-Down Capital Increase) (see § 7 of the Demerger Agreement). Each new no-par value share will account for a notional interest of EUR 1 in the amount of the capital stock increase. The ratio between ordinary shares and preference shares is equal to the ratio existing at METRO AG and thus to the ratio between ordinary shares and preference shares existing at MWFS AG. The contribution in kind is made by transfer of the Hive-Down Assets. To the extent that the value at which the contribution in kind made by METRO AG is received by MWFS AG exceeds the amount of the capital stock increase, such excess amount will be transferred to the capital reserve of MWFS AG pursuant to § 272 para. 2 no. 1 of the German Commercial Code (*Handelsgesetzbuch* – HGB).

In order to implement the spin-off, MWFS AG will increase its capital stock by EUR 326,787,529 through the issue of 324,109,563 no-par value ordinary bearer shares and 2,677,966 no-par value non-voting preference bearer shares (Spin-Off Capital Increase) (see § 18 of the Demerger Agreement). Each new no-par value share will account for a notional interest of EUR 1 in the amount of the capital stock increase. The contribution in kind is made by transfer of the Spin-Off Assets. To the extent that the value at which the contribution in kind made by METRO AG is received by MWFS AG exceeds the amount of the capital stock increase, such excess amount will be transferred to the capital reserve of MWFS AG pursuant to § 272 para. 2 no. 1 of the German Commercial Code (*Handelsgesetzbuch* – HGB).

Any shares granted as consideration for the transfer of Spin-Off Assets and Hive-Down Assets will be entitled to a share in profits for financial years beginning on or after 1 October 2016.

The preference shares issued in the context of the Hive-Down Capital Increase and the Spin-Off Capital Increase will be equivalent, in terms of their design, to the preference shares of MWFS AG already in issue (cf. Sections II.3.c) and VI.2.).

It is intended that METRO Consumer Electronics Zwischenholding GmbH & Co. KG as sole shareholder of MWFS AG will pass the required resolutions to increase the capital stock of MWFS AG in the general meeting of MWFS AG, together with the resolution to approve the Demerger Agreement. The hive-down can only be registered once the Hive-Down Capital Increase is registered with the commercial register of MWFS AG, and the spin-off can only be registered once the Spin-Off Capital Increase is registered with the commercial register of MWFS AG.

An audit of contribution in kind will be conducted within the framework of both the Hive-Down Capital Increase and the Spin-Off Capital Increase. In this context, it is reviewed whether the value of the respective contribution in kind reaches the minimal par value of the shares granted to implement hive-down and spin-off, respectively. The fact that the Hive-Down Assets have a negative carrying amount for financial reporting purposes (cf. Section VII.1.a)) is not relevant since reference will be made to the fair value of the Hive-Down Assets within the framework of the audit of contribution in kind. The fair value of the Hive-Down Assets as at the Relevant Demerger Date was a multiple of the minimal par value of the shares to be issued to implement the hive-down. The parties expect that the fair value of the Hive-Down Assets will continue to be greater than the minimal par value upon filing of the Hive-Down Capital Increase for registration.

As a matter of precaution, the parties anticipate that for both the hive-down and the spin-off the provisions as regards the post-formation acquisition pursuant to § 52 AktG have to be complied with. In accordance with § 197 sent. 1 in conjunction with § 245 para. 1 sent. 3 UmwG, the provisions as regards post-formation acquisition will not apply after the change of the legal form from a German limited liability company to a German stock corporation when the limited liability company had been registered with the commercial register for a period of more than two years prior to the change in legal form (which is the case for METRO Wholesale & Food Specialist GmbH). However, the parties anticipate, as a matter of precautionary, that the temporary discontinuation of business operations in the years 2014 to 2016 and the economic re-incorporation of METRO Wholesale & Food Specialist GmbH in September 2016 (cf. Sections II.3.b)) resulted in a renewal of the abovementioned two-year period.

In particular, pursuant to the provisions as regards post-formation acquisition, it has to be reviewed by a court-appointed auditor whether the value of the respective contribution in kind reaches the minimal par value of the shares respectively granted for this.

By way of resolution of the Local Court of Düsseldorf dated 23 November 2016, KPMG AG Wirtschaftsprüfungsgesellschaft, was appointed as common auditor of contribution in kind and post-formation acquisition for both the hive-down and the spin-off (for the post-formation acquisition audit, please refer to § 125 sent. 1 in conjunction with § 67 UmwG in conjunction with §§ 52 para. 4, 33 para. 3 to para. 5, 34 f. AktG, and for the audit of contribution in kind, please refer to § 125 sent. 1 in conjunction with §§ 142 para. 1, 69 para. 1 sent. 1 UmwG in conjunction with §§ 183 para. 3, 33 para. 3 to para. 5, 34 f. AktG).

The auditor of post-formation acquisition and contribution in kind issues reports about the audit of the post-formation acquisitions and the recoverability of the respective contributions in kind. The reports about the respective audits of post-formation acquisition and contribution in kind are submitted to, and filed at, the commercial register of MWFS AG at the Local Court of Düsseldorf (§ 142 para. 2 UmwG). The general meeting of MWFS AG has to consent to both post-formation acquisitions. It is intended that the resolutions regarding approval will be passed together with the resolution by the general meeting of MWFS AG to approve the Demerger Agreement. The Hive-Down Capital Increase and the hive-down, and the Spin-Off Capital Increase and the spin-off, respectively, can only be registered once the respective post-formation acquisition is registered with the commercial register of MWFS AG.

9. Filings and registrations of hive-down and spin-off in the commercial register

After the general meetings of METRO AG and MWFS AG have approved the demerger, the management board of METRO AG and the management board of MWFS AG have to file for registration of both hive-down and spin-off in the commercial registers of the transferring and the receiving entity (§§ 129, 125 sent. 1 in conjunction with § 16 para. 1 UmwG).

The filings for registration in the commercial register of METRO AG as transferring entity has to be accompanied by a balance sheet of METRO AG as closing balance sheet (§ 125 sent. 1 in conjunction with § 17 para. 2 UmwG). The closing balance sheet for hive-down and spin-off is the annual balance sheet of METRO AG as at 30 September 2016, 12:00 p.m. It was audited by KPMG AG Wirtschaftsprüfungsgesellschaft, which was appointed by resolution of the ordinary general meeting of METRO AG on 19 February 2016 as auditor in accordance with legal requirements, within the context of the annual financial statements of METRO AG for the 2015/16 financial year, which was audited and received an unqualified audit opinion. Pursuant to § 125 sent. 1 in conjunction with § 17 para. 2 sent. 4 UmwG, the registry court may only register the hive-down for METRO AG as the transferring entity if the Closing Balance Sheet was prepared as of a relevant date no earlier than eight months before the date of the application. Therefore, the application must be filed by 31 May 2017, at the latest. The hive-down will become effective upon the registration in the commercial register of METRO AG at the Local Court of Düsseldorf ("**Hive-Down Effective Date**"). Prior to that, the hive-down must be registered in the commercial register of MWFS AG at the Local Court of Düsseldorf. Upon the subsequent registration in the commercial register of METRO AG at the Local Court of Düsseldorf, the Hive-Down Assets are transferred by law to MWFS AG to the extent prescribed in the Demerger Agreement in their entirety by way of partial universal succession. The registry court will announce the registration of the hive-down in the commercial register made by the registry court in the information and communication system designated by the respective state justice administration.

The same applies with regard to the spin-off. The spin-off will also become effective upon the registration in the commercial register of METRO AG at the Local Court of Düsseldorf ("**Spin-Off Effective Date**"). Prior to that, the spin-off must be registered in the commercial register of MWFS AG at the Local Court of Düsseldorf. Upon the subsequent registration in the commercial register of METRO AG at the Local Court of Düsseldorf, the Spin-Off Assets are transferred by law to MWFS AG to the extent prescribed in the Demerger Agreement in their entirety by way of partial universal succession. The registry court will announce the registration of the spin-off in the commercial register made by

the registry court in the information and communication system designated by the respective state justice administration.

In accordance with the requirements of the Demerger Agreement, the hive-down will not take place without the spin-off following thereafter and the spin-off will not take place without the previous hive-down. The parties have agreed in the Demerger Agreement to work towards the hive-down and the spin-off being registered in the commercial register in such manner the shortest possible time period will pass between both registrations.

The implementation of the spin-off is not subject to a decrease of METRO AG's capital stock. METRO AG will have sufficient net book assets immediately after hive-down and spin-off to cover the statutory capital stock. The derecognition of the Spin-Off Assets resulting from the spin-off is initially offset in the equity of METRO AG against the hive-down gains arising from the hive-down and then against profits carried forward, existing profit reserves and a portion of the capital reserves of METRO AG (cf. Section VII.1.a) for more details).

Assuming that no legal proceedings are initiated, or that legal proceedings are not initiated in a timely manner, against the validity of the resolution of the general meeting of METRO AG or the resolution of the general meeting of MWFS AG, respectively approving the Demerger Agreement (each a "**Demerger Resolution**"), it is intended that registrations will occur by early April 2017 and that hive-down and spin-off will then become effective. The admission of the MWFS Shares to trading on the Regulated Market of the Frankfurt Stock Exchange and additionally on the segment of the Regulated Market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange will be implemented immediately thereafter. Moreover, a secondary listing on the Luxembourg Stock Exchange is planned.

However, if legal proceedings are filed in a timely manner against the validity of the Demerger Resolution, such proceedings will impede, as a general rule and without regard to its prospects for success, the registration of hive-down and spin-off with the commercial register and, thus, the taking effect of the hive-down and spin-off so that a delay would arise. The reason for this is that the management boards of METRO AG and MWFS AG must each declare in the filing pursuant to § 125 sent. 1 in conjunction with § 16 para. 2 sent. 1 UmwG that no legal proceedings against the validity of the Demerger Resolution have been initiated or have been initiated in a timely manner or that such legal proceedings have been dismissed with legally binding effect or have been withdrawn (so-called negative declaration), which they would not be able to do in the case of legal proceedings initiated in a timely manner. In the case of the Demerger Resolution of MWFS AG, METRO AG will ensure that METRO Consumer Electronics Zwischenholding

GmbH & Co. KG as the sole shareholder will waive the initiation of legal proceedings already in the general meeting. In the case of the Demerger Resolution of METRO AG, however, it cannot be ruled out that there will be a challenge by one or more shareholders. Since hive-down and spin-off are combined in one agreement which is submitted to the shareholders for approval, any legal proceedings would be directed against both hive-down and spin-off.

In case of a timely legal challenge, hive-down and spin-off may still be registered despite the lack of a negative declaration if the Higher Regional Court of Düsseldorf, having jurisdiction pursuant to § 125 sent. 1 in conjunction with § 16 para. 3 sent. 7 UmwG, upon the application of the entity against whose Demerger Resolution the legal challenge is directed to, determines by way of a resolution in accordance with § 125 sent. 1 in conjunction with § 16 para. 3 sent. 1 UmwG that the initiation of the legal challenge does not impede registration (so-called clearance decision). In accordance with § 125 sent. 1 in conjunction with § 16 para. 3 sent. 9 UmwG, such a court resolution is non-appealable. Pursuant to § 125 sent. 1 in conjunction with § 16 para. 3 sent. 3 UmwG, the court will grant the request for clearance if (i) the claim is inadmissible or obviously unfounded, or (ii) the claimant fails to furnish document-based proof, within one week of serving the petition, that he has held a pro-rated amount of no less than EUR 1,000 of METRO AG's capital stock since the notice convening the general meeting was published in which the challenged Demerger Resolution was passed, or (iii) the immediate taking effect of the hive-down and spin-off appears to take precedence because in the discretion of the court the material disadvantages for the legal entities involved in the spin-off and the owners of their shares as presented by METRO AG outweigh the disadvantages for the complaining shareholder, unless the violation of the law is particularly severe.

The management boards of METRO AG and MWFS AG believe that a delayed taking effect of the demerger would have materially adverse consequences for METRO AG and MWFS AG and would conflict with the interests of METRO shareholders as it would delay the realisation of the benefits expected from the separate development of the MWFS Business Division and the CE Business Division and would also result in additional costs.

10. Effects of the registration with the commercial register

Hive-down and spin-off will become effective upon the registration in the commercial register of METRO AG. Accordingly, the Hive-Down Assets and the Spin-Off Assets, respectively, are transferred by law to MWFS AG by way of partial universal succession. Pursuant to the UmwG, the consent of third parties is not required for the transfer. Con-

currently, in the case of the hive-down, METRO AG will become, by law, a shareholder of MWFS AG. In the case of the spin-off, the shareholders of METRO AG will become, by law, shareholders of MWFS AG based on the share allocation ratio determined in the Demerger Agreement. Any defects as regards the notarial recording of the Demerger Agreement or the Demerger Resolutions are remedied through the registration in the commercial register.

11. Allocation of shares; stock exchange admission and stock market trading

a) Allocation of the shares in MWFS AG issued to METRO AG within the framework of the hive-down

The hive-down will be effected by granting 3,601,217 no-par value MWFS Ordinary Shares made out to the bearer and 29,755 no-par value non-voting MWFS Preference Shares made out to the bearer to METRO AG.

The shares to be granted are created through the Hive-Down Capital Increase described in Section V.8.

b) Allocation of the shares in MWFS AG issued to METRO AG shareholders within the framework of the spin-off

The spin-off will be effected by granting 324,109,563 no-par value MWFS Ordinary Shares made out to the bearer and 2,677,966 no-par value non-voting MWFS Preference shares made out to the bearer to METRO AG shareholders upon the spin-off taking effect. Upon the spin-off taking effect, these shareholders will receive, in accordance with the share allocation ratio of 1 : 1 set out in § 18.1 of the Demerger Agreement (preserving the proportion of company interests held) one no-par value MWFS Ordinary Share made out to the bearer for each no-par value METRO Ordinary Share made out to the bearer, and one no-par value, non-voting MWFS Preference Share made out to the bearer for each no-par value, non-voting METRO Preference Share made out to the bearer (please refer to Section VI.1. for information on the share allocation ratio).

The shares to be granted are created through the Spin-Off Capital Increase described in Section V.8.

c) Profit entitlement

Any MWFS Shares granted as consideration for the transfer of Spin-Off Assets and Hive-Down Assets will be entitled to a share in profits for financial years beginning on or after 1 October 2016.

d) Processing

METRO AG has appointed Deutsche Bank AG to process the allocation; Deutsche Bank AG was also appointed as trustee pursuant to § 125 sent. 1 in conjunction with § 71 para. 1 UmwG for receiving the MWFS Shares granted to METRO shareholders within the context of the spin-off and for forwarding these to the eligible shareholders. Prior to the spin-off taking effect, the trustee takes possession of the MWFS Shares to be issued to the shareholders of METRO AG and will deliver these to such shareholders on a timely basis after the spin-off taking effect in accordance with the share allocation ratio of 1 : 1 as determined in the Demerger Agreement.

METRO shareholders holding METRO Shares that are held in collective custody or are held at a custodian bank in individual custody do not have to initiate any actions themselves for the purpose of the allocation of MWFS Shares. The allocation of MWFS Shares will be effected for these eligible METRO shareholders on the basis of their holdings of METRO Shares by means of a securities account credit (for individual custody holdings after presenting the right part of the renewal coupon by the custodian bank). The securities account credit is made by the custodian banks on the basis of the holdings of METRO Shares in the evening of the day on which the spin-off takes effect, taking into account any open stock exchange transactions. In case of METRO Shares held in own custody, the allocation of MWFS Shares attributable to such METRO Shares will be effected by presenting the right part of the renewal coupon at Deutsche Bank AG via a custodian bank. Holders of METRO Shares held in own custody are urged to present the right part of the renewal coupon at Deutsche Bank AG via a custodian bank as soon as possible after the demerger has taken effect in order to receive the MWFS Shares to which they are entitled.

Since the claim of MWFS shareholders to share certificates is ruled out by the articles of association of MWFS AG, the MWFS Shares are evidenced exclusively by permanent global certificates deposited at Clearstream. The shareholders of MWFS AG participate in this collective holding of shares based on their interest as co-owner.

The MWFS AG shares are allocated free of charges and expenses if the shareholders maintain a securities account in the Federal Republic of Germany. Details regarding the

processing of the allocation are provided separately to the shareholders of METRO AG immediately after the registration of the spin-off in the commercial registers of MWFS AG and METRO AG ("**Share Allocation Notification**"). The Share Allocation Notification is published by METRO AG in Germany in the Federal Gazette (*Bundesanzeiger*).

e) No fractional shares

There will be no fractional shares as the share allocation ratio is 1 : 1.

f) Stock exchange listing and stock market trading

All of the MWFS Shares (including the already existing shares as well as shares created in the course of the Hive-Down Capital Increase and the Spin-Off Capital Increase) will be admitted to trading on the Regulated Market of the Frankfurt Stock Exchange and additionally on the section of the Regulated Market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange on the day on which the spin-off becomes legally effective through registration in the commercial register of METRO AG. Moreover, a secondary listing on the Luxembourg Stock Exchange is planned. Trading in the MWFS Shares will initially commence in the morning of the following stock exchange trading day. The listing of the METRO Shares "ex MWFS" is intended on the same day. On the day on which the spin-off becomes legally effective through registration in the commercial register of METRO AG, trading in the MWFS Shares is not yet possible and the METRO Shares are traded "cum MWFS".

12. Change of the company name of METRO AG

The MWFS Business Division will continue to operate under the brand "METRO" even after the demerger of METRO GROUP. Accordingly, all rights in the "METRO" brand will be hived down to MWFS AG (cf. Section IV.2.b)). In contrast, the CE Business Division will not use the METRO brand and, in particular, will operate on the market with its own brands "Media Markt" and "Saturn".

In view of the foregoing, the management board of METRO AG will propose to the ordinary general meeting of METRO AG on 6 February 2017 to change the company name of METRO AG to "CECONOMY AG". MWFS AG will take over the current company name of METRO AG and will in future use "METRO AG" as its own company name.

The filing of the change of name of METRO AG to "CECONOMY AG" will be effected – in accordance with the instruction to the management board included in the resolution proposals – only after the spin-off has been registered. The change of name of

MWFS AG into "METRO AG" will be registered with the commercial register only after METRO AG has changed its name. For the period from the registration of the change of name of METRO AG, METRO AG has the right, pursuant to the Demerger Agreement, to use the "METRO" brand temporarily and free of charge to the extent existing on the Relevant Hive-Down Date. The right will expire three months after the register entry of an amendment of § 1 para. 1 of METRO AG's articles of association resolved by the ordinary general meeting of METRO AG.

13. Group Separation Agreement

In view of the group separation of METRO GROUP resulting from the consummation of the Demerger Agreement, METRO AG and MWFS AG agreed on a Group Separation Agreement. The Group Separation Agreement forms an integral part of the Demerger Agreement as an Annex to the Demerger Agreement. It mainly includes regulations concerning the legal relationship between the parties and their respective group companies after the consummation of the spin-off as regards the joint affiliation to METRO GROUP in the past. The Group Separation Agreement includes, amongst others, regulations in relation to the tax allocation between the companies. The regulations of the Group Separation Agreement are explained in Section XII.2.

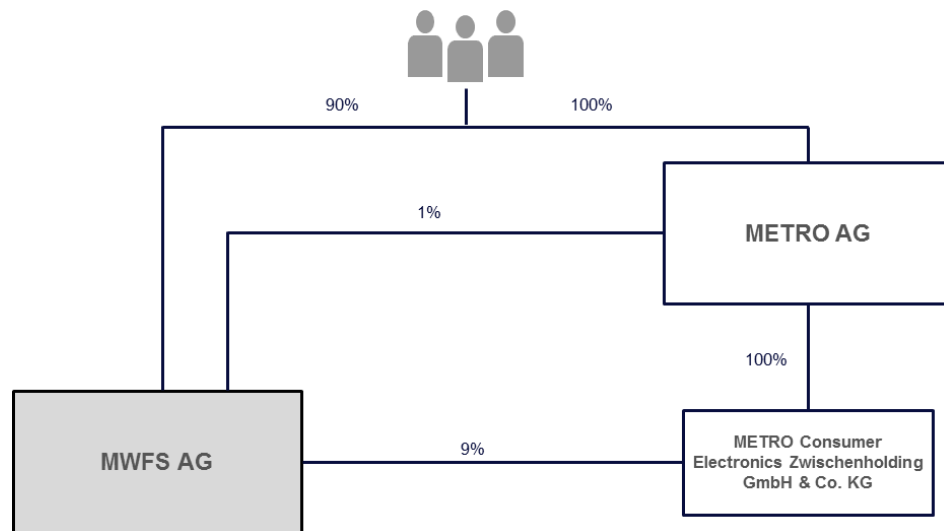
14. Share ownership ratios at the transferring and the receiving entity after the consummation of the demerger

Upon the spin-off taking effect, the demerger of METRO GROUP will be deemed consummated. MWFS AG will hold the entire assets of the MWFS Business Division, while METRO AG will hold the entire assets of the CE Business Division.

The share ownership ratios in METRO AG will remain unchanged.

The METRO shareholders will hold a direct interest in MWFS AG of approximately 90 percent of MWFS AG's capital stock. The remaining 10 percent will be held by METRO AG. Approximately 1 percent will be held directly by METRO AG and approximately 9 percent will be held indirectly via its subsidiary METRO Consumer Electronics Zwischenholding GmbH & Co. KG.

The shareholder structure after the demerger has taken effect is illustrated below:



15. Costs and transfer taxes related to the demerger

The total costs of the demerger of METRO GROUP and its implementation will amount to approximately EUR 100 million. Thereof, approximately EUR 24 million had been incurred as at 30 September 2016. In addition, there are tax charges in the low single-digit million range. With regard to the tax effects of the demerger, cf. Section VII.1.b)(2).

The transaction costs mainly refer to costs for external advice (in particular by investment banks, legal and tax advisors, auditors / appraisers and strategy consultants), audit fees (auditors), costs for notarial recording, costs in relation to general meetings, costs for filings with the commercial register and costs of the planned stock exchange admission, including its preparation. With regard to cost allocation between METRO AG and MWFS AG, see Section XII.1.bb).

The tax charges in the low single-digit million range will be borne by the MWFS Business Division.

VI. Explanations and reasons for the share allocation ratio for the spin-off; granting of special rights

1. Share allocation ratio

The transfer of the Spin-Off Assets is made in exchange for the granting of MWFS Shares to the shareholders of METRO AG. The share allocation ratio for the granting of shares (§ 126 para. 1 no. 3 UmwG) is 1 : 1 pursuant to § 18.1 of the De-

merger Agreement, i. e. one MWFS Ordinary Share will be granted for each METRO Ordinary Share, one MWFS Preference Share will be granted for each METRO Preference Share. Additional cash payments will not be made. The creation of fractional shares for the METRO shareholders is avoided by the selected share allocation ratio.

The entities involved believe that the future capital stock of MWFS AG is in an appropriate relation to the equity and the expected market capitalisation of MWFS AG. It was taken into account in determining the capital stock and the number of shares that the future share price of MWFS AG should be within a range which is, from today's perspective, attractive to retail and institutional investors. A share allocation ratio of two or more MWFS Shares for one METRO Share – which would also have avoided fractional shares – would have led to a significantly higher capital stock and a less attractive share price due to the notional minimum amount for each share of EUR 1 in the capital stock (§ 8 para. 3 sent. 3 AktG).

The determination of the share allocation ratio did not require a comparative business valuation under company and transformation law. This means that the Spin-Off Assets and the assets of the receiving entity (i.e. the assets of MWFS AG, including the already included asset position and the Hive-Down Assets to be transferred retroactively as at 1 October 2016) did not have to be evaluated for the determination of the share allocation ratio, and the values did not have to be put into relation with each other (with regard to tax issues, please refer to Section VII.1.b)(2).). There is no need for a comparative company evaluation as the group of shareholders of MWFS as the receiving entity is economically identical to that of METRO AG as the transferring entity and as the shareholding ratios are preserved in the course of the spin-off. Already today, the shareholders of METRO AG hold an indirect interest of 100 percent in MWFS AG. Therefore, in terms of assets, the transaction as a whole does not result in any changes for the METRO shareholders in economical terms. The METRO shareholders who hold the CE and MWFS Business Divisions exclusively via their interest held in METRO AG will continue to hold an interest in the CE Business Division via their interest in METRO AG after the entire transaction has been completed. They will hold a direct interest of 90 percent in the MWFS Business Division via their interest in MWFS AG and an indirect interest of 10 percent via their interest in METRO AG (i. e. via METRO AG's interest in MWFS AG). Third parties will not acquire an interest in METRO AG or MWFS AG or the CE and MWFS Business Divisions within the framework of the entire transaction. Besides, the allocation of the shares granted to the METRO shareholders for the transfer of the Spin-Off Assets is made on the basis of preserving the proportion of company interests held, i. e. corresponding to the measure of their interest in the capital stock of METRO AG. Therefore, there will not be an asset shift either between individual METRO sharehold-

ers or between the classes of shares. To the extent that, upon the demerger taking effect, the notional share ownership ratios of METRO shareholders in MWFS AG do not correspond to the share ownership ratios in METRO AG due to the 10 percent shareholding in METRO AG, only the voting rights ratio at MWFS AG will be reduced. The asset position of the METRO shareholder remains unaffected from an overall perspective.

The Demerger Agreement must be audited by a demerger auditor in accordance with § 125 sent. 1 in conjunction with § 9 UmwG. The court-appointed expert demerger auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, will report separately about the findings of the audit pursuant to § 125 sent. 1 in conjunction § 12 para. 1, para. 2 UmwG. The demerger auditor will also explain in such report whether the proposed share allocation ratio is appropriate.

2. Granting of special rights (features of the preference shares)

In accordance with § 126 para. 1 no. 7 UmwG, the Demerger Agreement must also include information regarding special rights granted to holders of special rights such as preference shares. In terms of content, the requirements set out in § 125 sent. 1 in conjunction with § 23 UmwG have to be adhered to. Accordingly, holders of special rights have to be granted equivalent rights within the context of the spin-off. Pursuant to § 133 para. 2 UmwG, these equivalent rights may not only be granted at the level of the receiving entity, but also at the level of the transferring entity.

As consideration for the spin-off, holders of METRO preference shares will be granted preference shares. Their features corresponds to those of the already existing preference shares at MWFS AG (cf. Section II.3.c)): Holders of non-voting preference shares will receive an advance dividend of EUR 0.17 per preference share from the annual net profit, which can be paid in arrears. After the advance dividend has been distributed, the holders of ordinary shares receive a dividend of EUR 0.17 per ordinary share. Thereafter, an extra dividend, which does not have to be paid in arrears, is paid to the holders of preference shares. The extra dividend amounts to 10 percent of such dividend as will be paid to the holders of ordinary shares according to the regulations on further profit distribution, provided that such dividend equals or exceeds EUR 1.02 per ordinary share.

The features of the MWFS Preference Shares correspond to the features of the METRO Preference Shares, with the exception of the extra dividend of EUR 0.06 stipulated for the latter. Pursuant to § 21 of the articles of association of METRO AG (cf. details included in Section II.2.b)), the METRO shareholders will receive an extra dividend (that does not have to be paid in arrears) in the amount of EUR 0.06, which increases to

10 percent of the dividend to be paid to holders of ordinary shares if the dividend payable to holders of ordinary shares amounts to at least EUR 1.02. The design of the METRO Preference Shares will remain unchanged by the demerger.

The management boards of METRO AG and MWFS AG are of the opinion that overall, i. e. based on a comprehensive analysis of the rights existing at the transferring entity and at the receiving entity, the rights to which the holders of preference shares of METRO AG are entitled after consummation of the spin-off are equivalent to the preferential rights currently existing at METRO AG. The management boards of METRO AG and MWFS AG believe their view is confirmed by the dividends paid at METRO AG in recent financial years.

As far as the advance dividend is concerned, no changes will arise from the spin-off for METRO shareholders. Except for one instance in the past, METRO AG has always been able to pay a dividend of at least EUR 0.17 to all METRO shareholders. In line with the existing planning, it is expected that both companies will distribute a dividend of more than EUR 0.17 to their shareholders in the short to medium term. In this case, the duplication of the advance dividend does not have any advantages for the holders of METRO Preference Shares or disadvantages for the holders of METRO Ordinary Shares.

The holders of METRO preference shares have received an extra dividend of EUR 0.06 per METRO Preference Share in the past financial years, except for one instance. An extra dividend in the same amount is also intended to be paid by METRO AG after the demerger has taken effect, provided that the required balance sheet profits are generated. The management boards of METRO AG and MWFS AG assume that the financial position of METRO AG is sufficient to be able to pay a dividend of EUR 0.17 to all METRO shareholders and an extra dividend of EUR 0.06 per METRO Preference Share to the holders of METRO preference shares. If the features of the preference were reflected at MWFS AG and an extra dividend of EUR 0.06 per MWFS Preference Share were introduced also at MWFS AG, the holders of preference shares – who will hold an identical number of preference shares of both companies upon the spin-off taking effect – would receive a total amount of EUR 0.12 as extra dividend from both preference shares.

The requirements for a payment of the percentage extra dividend have not been achieved at METRO AG in the past financial years. The management boards of METRO AG and MWFS AG assume that after the demerger the financial position of METRO AG will not be sufficient, for the time being, to meet the requirements for the payment of the extra dividend on a percentage basis. The same will apply, for the time being, to MWFS AG. By reflecting the extra dividend on a percentage basis, there will be

no change after the demerger in the situation that no extra dividend on a percentage basis will be paid for the time being.

VII. Balance sheet, fiscal and other effects of the demerger

This Section describes the balance sheet, fiscal and other effects of the demerger.

1. Effects of the demerger on the balance sheet

a) Effects on the HGB balance sheets

This Section describes the effects of the demerger on the individual financial statements of METRO AG and MWFS AG.

(1) General information

The balance sheets of METRO AG and MWFS AG (still in the legal form of a German limited liability company at that time) as at 30 September 2016, 12:00 p.m., represent the situation prior to the date when hive-down and spin-off took effect. The pro forma balance sheets of METRO AG and MWFS AG as at 01 October 2016, 0:00 a.m., represent the situation after hive-down and spin-off had taken effect.

Each of the following pro forma assumptions were used as at 1 October 2016, 0:00 a.m.: (1.) the taking effect of the hive-down and the spin-off, each at the Relevant Demerger Date (1 October 2016, 0:00 a.m.); (2.) the implementation of the measures required to establish the targeted value relation (cf. Section IV.2); (3.) the payout of the proposed dividend to the METRO shareholders for the financial year 2015/16 from the funds earmarked for that purpose; and (4.) the taking effect of the change in legal form of METRO Wholesale & Food Specialist GmbH to MWFS AG with a subsequent ordinary reduction of the capital stock (see Section II.3.b)).

Upon the hive-down taking effect, the Hive-Down Assets, and upon the spin-off taking effect the Spin-Off Assets, will be transferred to MWFS AG according to civil law (so-called partial universal succession). From an economic point of view, the transfer of assets is made retroactively as at the Relevant Demerger Date. The Relevant Demerger Date is the date from which the actions of METRO AG concerning the Hive-Down Assets or the Spin-Off Assets are deemed performed for the account of MWFS AG (§ 126 para. 1 no. 6 UmwG). This means that the hive-down and the spin-off and thus the transfer of the Hive-Down Assets and the Spin-Off Assets take effect retroactively as at 01 Octo-

ber 2016, 0:00 a.m. METRO AG will be granted MWFS Shares as consideration for the Hive-Down Assets. The METRO shareholders will be granted MWFS Shares as consideration for the spin-off.

All balance sheets are prepared in accordance with the accounting principles set out in the German Commercial Code ("**HGB**"). The same financial reporting principles were used for the preparation of all balance sheets.

The individual balance sheet of METRO AG as at 30 September 2016 was audited as part of the annual financial statements of METRO AG for the financial year 2015/16 by METRO AG's auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, and received an unqualified audit opinion and was also approved by the Supervisory Board of METRO AG on 8 December 2016. The individual balance sheet of METRO AG is, at the same time, the Closing Balance Sheet pursuant to § 125 sent. 1 in conjunction with § 17 para. 2 UmwG for both the hive-down and the spin-off. The individual balance sheet of MWFS AG as at 30 September 2016 was audited as part of the annual financial statements of MWFS AG (as at 30 September 2016, still in the legal form of a limited liability company) for the financial year 2015/16 by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, and received an unqualified audit opinion and was also approved by the shareholders' meeting of METRO Wholesale & Food Specialist GmbH (before the change in legal form of the company to MWFS AG took effect) on 8 November 2016.

The pro forma balance sheets of METRO AG and MWFS AG as at 1 October 2016 have not been audited. In addition to the pro forma assumptions, they do not take into consideration the changes in the assets and liabilities as well as the equity due to the business activities of METRO AG and of MWFS AG since 1 October 2016 until the taking effect of the demerger (expected to occur in the first half of 2017). In particular, transaction costs arising in connection with the demerger, to the extent attributable to the financial year 2016/17, are not included. The actual balance sheets at the date when hive-down and spin-off take effect will deviate from the pro forma balance sheets.

Due to rounding it may be that individual figures shown in the balance sheets and the pro forma balance sheets do not add up to the stated total figures.

(2) Balance sheet and pro forma balance sheet of METRO AG (HGB)

The column "METRO AG as at 30/09/2016 (prior to demerger)" of the following overview contains the individual balance sheet of METRO AG as at 30 September 2016, 12:00 p.m. It represents the situation prior to the date when the demerger took effect.

The column "METRO AG as at 01/10/2016 (pro forma after demerger)" includes the pro forma balance sheet of METRO AG as at 01 October 2016, 0:00 a.m. It represents the situation after the hive-down and the spin-off had taken effect, taking into consideration the further pro forma assumptions. The reconciliation columns reflect the measures to establish the value relation, the payout of METRO AG's dividend proposed for the financial year 2015/16, the Hive-Down Assets and the Spin-Off Assets.

EUR thousand	METRO AG as at 30/09/2016 (prior to de- merger) ¹	Measures to establish the value relation (pro forma)	Dividend pay- ment (pro forma)	Reconciliation of hive-down at carrying amounts (pro forma)	Reconciliation of spin-off at carrying amounts (pro forma)	METRO AG as at 01/10/2016 (pro forma after demerger)
Assets						
A. Fixed assets	7,738,936	1,070,567	0	-1,594,844	-6,112,711	1,101,948
I. Intangible assets	32,148	0	0	-32,131	0	17
II. Property, plant and equipment	2,386	0	0	-2,335	0	51
1. Leasehold improvements	19	0	0	-19	0	0
2. Other equipment, operating and of- fice equipment	2,367	0	0	-2,316	0	51
III. Financial assets	7,704,402	1,070,567	0	-1,560,378	-6,112,711	1,101,880
1. Shares in affiliated companies	6,834,390	1,939,631	0	-1,559,430	-6,112,711	1,088,976
2. Loans to affiliated companies	869,221	-869,064	0	-157	0	0
3. Long-term equity investments	50	0	0	-50	0	12,904
4. Other loans	741	0	0	-741	0	0
B. Current assets	2,146,012	-1,070,567	-327,000	-630,836	0	117,609
I. Inventories	0	0	0	0	0	0
II. Receivables and other assets	1,528,517	-579,068	-221,000	-612,840	0	115,609
1. Receivables from affiliated compa- nies	1,454,826	-579,068	-221,000	-595,621	0	59,138
2. Other assets	73,690	0	0	-17,219	0	56,472
III. Cheques, cash-in-hand and bank balances	617,495	-491,499	-106,000	-17,996	0	2,000
C. Prepaid expenses	14,291	0	0	-14,123	0	168
Total assets	9,899,238	0	-327,000	-2,239,803	-6,112,711	1,219,725

1 In view of the measures to establish the value relation, receivables from affiliated companies and liabilities to affiliated companies were not offset in the balance sheet. This results in an increase in total assets by EUR 95,247 thousand compared to the published financial statements of METRO AG as at 30 September 2016.

	METRO AG as at 30/09/2016 (prior to de- merger) ¹	Measures to establish the value relation (pro forma)	Dividend pay- ment (pro forma)	Reconciliation of hive-down at carrying amounts (pro forma)	Reconciliation of spin-off at carrying amounts (pro forma)	METRO AG as at 01/10/2016 (pro forma after demerger)
EUR thousand						
Liabilities and equity						
A. Equity	6,121,863	0	-327,000	991,956	-5,818,955	967,864
I. Subscribed capital	835,419	0	0	0	0	835,419
II. Capital reserve	2,557,963	0	0	0	2,425,518	132,445
III. Retained earnings	2,388,000	0	0	0	-2,388,000	0
IV. Net profit / loss (incl. gain arising from hive-down)	340,481	0	-327,000	991,956	-1,005,437	0
B. Provisions	447,234	0	0	-306,640	0	140,594
1. Provisions for pensions and similar obligations	131,313	0	0	-1,916	0	129,397
2. Provisions for taxes	7,060	0	0	-7,060	0	0
3. Other provisions	308,861	0	0	-297,664	0	11,197
C. Liabilities	3,324,888	0	0	-2,919,866	-293,756	111,266
1. Bonds	1,751,000	0	0	-1,751,000	0	0
2. Assignable loans	66,000	0	0	-66,000	0	0
3. Liabilities to banks	27,927	0	0	-27,927	0	0
4. Trade payables	20,649	0	0	-20,649	0	0
5. Liabilities to affiliated companies	1,414,775	0	0	-1,010,379	-293,756	110,640
6. Other liabilities	44,537	0	0	-43,911	0	626
D. Deferred income	5,253	0	0	-5,253	0	0
Total liabilities and equity	9,899,238	0	-327,000	-2,239,803	-6,112,711	1,219,725

(3) Explanations of the effects of the demerger on the METRO AG balance sheet

The so-called partial universal succession under civil law occurs in relation to the Hive-Down Assets and the Spin-Off Assets as a result of the hive-down and the spin-off, i. e. MWFS AG will become the owner of the relevant assets. METRO AG will no longer be the owner of the relevant assets, which results in an equivalent disposal recorded on the balance sheet.

Upon the hive-down, substantially the MWFS Branch of Activity (including the related employees and operating and office equipment), the intangible assets of METRO AG, the interests in METRO Dienstleistungs-Holding GmbH, METRO Cash & Carry International GmbH (6 percent) and further interests (e.g. interests of 25 percent held in several distribution companies) as well as the entire financial liabilities (bonds, assignable loans etc.) and certain other liabilities of METRO AG are transferred to MWFS AG. The carrying amount of the Hive-Down Assets is negative. The gain arising from the hive-down equals the negative difference between the transferred assets and liabilities and amounts to EUR 992 million. In contrast, the fair value is positive due to hidden reserves in the Hive-Down Assets.

As part of the spin-off, substantially the interest in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, which together with its subsidiary METRO Erste Erwerbsgesellschaft mbH has purchase price receivables from MWFS AG resulting from the sale of interests of the MWFS Business Division in the amount of approx. EUR 6.6 billion, as well as a loss compensation obligation to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH will be transferred to MWFS AG. Before the spin-off took effect, assets of METRO AG in the amount of EUR 1,707 million were contributed to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH to establish the targeted value relation for tax purposes. In addition, assets with a carrying amount of EUR 233 million were contributed to MWFS AG.

The spin-off results in an asset disposal recorded on the balance sheet of METRO AG in the amount of approximately EUR 5,819 million. This disposal will be offset against METRO AG's equity, initially against the entire gain arising from the hive-down, the entire profit carried forward remaining after the dividend payout, the entire retained earnings and then against a portion of the capital reserve of METRO AG.

The CE Business Division will remain at METRO AG after hive-down and spin-off. This mainly includes the 100 percent interest in METRO Kaufhaus und Fachmarkt Holding GmbH, which, in turn, holds the majority interest in Media-Saturn-Holding GmbH, the CE Branch of Activity (including the related employees and operating and office equipment),

the directly and indirectly held interest in MWFS AG totalling 10 percent, the limited partnership interest of slightly above 6.61 percent in METRO PROPERTIES GmbH & Co. KG and the major portion of the pension liabilities of METRO AG. The capital stock of METRO AG in the amount of EUR 835,419,052.27 remains unchanged. In addition, a capital reserve in the amount of EUR 132 million will remain, which includes the legal capital reserve within the meaning of § 150 AktG in the amount of 10 percent of the capital stock.

The effects on the assets side of the individual balance sheet of METRO AG are detailed below:

- The individual balance sheet of METRO AG as at 30 September 2016 includes intangible assets with a carrying amount of EUR 32 million. All recognised intangible assets of METRO AG, other than software licenses with a carrying amount of approximately EUR 17,000, are hived down to MWFS AG. The rights of METRO AG in the "METRO" brand, which are also hived down, are not recognised in the balance sheet.
- Property, plant and equipment recognised in the individual balance sheet of METRO AG as at 30 September 2016 includes other equipment, operating and office equipment with a carrying amount of approximately EUR 2.4 million. All recognised items of property, plant and equipment of METRO AG, other than operating and office equipment of the CE Business Division with a carrying amount of approximately EUR 51,000, are hived down to MWFS AG.
- The individual balance sheet of METRO AG as at 30 September 2016 includes financial assets in a total amount of EUR 7,704 million, of which approximately EUR 6,834 million refer to shares in affiliated companies, approximately EUR 869 million to loans to affiliated companies, EUR 50,000 to an interest held and approximately EUR 741,000 to other loans.

As a result of the hive-down, shares in affiliated companies with a carrying amount of approximately EUR 1,559 million are transferred to MWFS AG. This particularly includes the shares held in METRO Dienstleistungs-Holding GmbH with a carrying amount of approximately EUR 928 million. As a result of the hive-down, loans to affiliated companies in the amount of approximately EUR 157,000 as well as an interest in the amount of EUR 50,000 and all of the other loans in the amount of EUR 741,000 will also be transferred to MWFS AG.

As a result of the spin-off, shares in affiliated companies with a carrying amount of approximately EUR 6,113 million are transferred to MWFS AG. This mainly refers to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, which directly and indirectly via a subsidiary has a purchase price receivable in the amount of approx. EUR 6.6 billion from MWFS AG (cf. Section IV.1.b)). The carrying amount of METRO Groß- und Lebensmitteleinzelhandel Holding GmbH of EUR 4,406 million as at 30 September 2016 was increased to EUR 6,113 million by way of measures to establish the value relation. To this end, loans to affiliated companies in the amount of EUR 869 million as well as receivables from affiliated companies and cash funds were contributed to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH and a cash contribution obligation was assumed.

Prior to the demerger taking effect, for the purpose of establishing the value relation, an amount of EUR 233 million from the loan receivable of METRO AG from MWFS AG in the amount of EUR 450 million (cf. Section IV.1.a)) was contributed to METRO Consumer Electronics Zwischenholding GmbH & Co. KG, a wholly owned subsidiary of METRO AG, which, in turn, contributed this receivable to MWFS AG. The contribution to METRO Consumer Electronics Zwischenholding GmbH & Co. KG led to an increase in the carrying amount of this interest at METRO AG (asset swap).

Shares in affiliated companies remaining at METRO AG have a carrying amount of approximately EUR 1,089 million. This mainly includes the interest in METRO Kaufhaus und Fachmarkt Holding GmbH, via which METRO AG holds the sales line Media-Saturn, and the interest of METRO AG in METRO Consumer Electronics Zwischenholding GmbH & Co. KG, via which it indirectly holds an interest of approximately 9 percent of the MWFS AG's capital stock after hive-down and spin-off. In addition, the interests remaining at METRO AG amount to EUR 13 million. This refers to the limited partnership interest of slightly above 6.61 percent of METRO AG in METRO PROPERTIES GmbH & Co. KG, which previously had been reported as shares in affiliated companies, and the interest of 1 percent in MWFS AG held by METRO AG as consideration for the Hive-Down Assets. Due to the negative carrying amount of the Hive-Down Assets, the latter is recognised in the present balance sheet with a value of EUR 1.00.

- The individual balance sheet of METRO AG as at 30 September 2016 overall includes current assets of EUR 2,146 million, of which an amount of EUR 1,455 million refers to receivables from affiliated companies, an amount of EUR 74 million to other assets and an amount of EUR 618 million to cheques, cash-in-hand and bank balances.

Receivables from affiliated companies in the amount of EUR 596 million, other assets in the amount of EUR 17 million as well as cheques, cash-in-hand and bank balances of EUR 18 million are hived down.

Current assets are not transferred to MWFS AG within the framework of the spin-off. For the purpose of establishing the value creation, receivables from affiliated companies and cash funds in a total amount of EUR 838 million were previously contributed to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH and thus transferred indirectly. In addition, for the purpose of establishing the value relation, current assets in the amount of EUR 233 million were contributed to MWFS AG. The contributions led to an increase in the carrying amounts of the interests held by METRO AG (asset swap).

Cash funds in the amount of EUR 106 million as well as receivables from affiliated companies in the amount of EUR 221 million to be realised beforehand are intended to be used to pay the proposed dividend. After that, receivables from affiliated companies of the CE Business Division remain at METRO AG in the amount of EUR 59 million as well as other assets with a carrying amount of EUR 56 million. In addition, METRO AG retains cheques, cash-in-hand and bank balances of EUR 2 million (cf. Section IX.2. for information on future financing).

The effects on the liabilities side of the individual balance sheet of METRO AG are detailed below:

- The individual balance sheet of METRO AG as at 30 September 2016 includes provisions for pensions and similar obligations with a carrying amount of approximately EUR 131 million, tax provisions with a carrying amount of approximately EUR 7 million and other provisions with a carrying amount of approximately EUR 309 million.

The liabilities underlying the provisions for pensions and similar obligations are hived down to MWFS AG in an amount of EUR 2 million. These are pension liabilities to employees of the MWFS branch of activity. In addition, all liabilities underlying the tax provisions as well as the liabilities underlying the other provisions in the amount of approximately EUR 298 million are hived down to MWFS AG.

There are no liabilities transferred by way of spin-off for which provisions had been recognised at METRO AG.

Provisions for pensions and similar obligations in the amount of EUR 129 million remain at METRO AG. These mainly exist for pension liabilities to employees of

the CE Business Division who are active as at 1 October 2016, 0:00 a.m. as well as to any employees of METRO AG who are inactive at that time. Moreover, provisions for other liabilities in the amount of EUR 11 million remain.

- The liabilities recognised in the HGB individual balance sheet of METRO AG as at 30 September 2016 consist of bonds in the amount of EUR 1,751 million, assignable loans in the amount of EUR 66 million, liabilities to banks in the amount of EUR 28 million, trade payables in the amount of EUR 21 million, liabilities to affiliated companies in the amount of EUR 1,415 million and other liabilities in the amount of EUR 45 million.

Liabilities in the amount of EUR 2,920 million are transferred by way of hive-down. This mainly includes all recognised financial liabilities of METRO AG, consisting of bonds in the amount of EUR 1,751 million, assignable loans in the amount of EUR 66 million and liabilities to banks in the amount of EUR 28 million as well as liabilities to affiliated companies (those of the MWFS Business Division) in the amount of EUR 1,010 million, trade payables in the amount of EUR 21 million and other liabilities in the amount of EUR 44 million.

Liabilities to affiliated companies in the amount of EUR 294 million are transferred by way of spin-off. This refers to a loss compensation obligation to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH for the financial year 2015/16.

The items remaining at METRO AG are primarily liabilities to affiliated companies (those of the CE Business Division) in the amount of EUR 111 million. The Commercial Paper Programme pursuant to French law (see Section VII.3.d)) also remains at METRO AG. However, this programme is not recognised in the balance sheet as no bonds were in issue as at 30 September 2016.

- According to the HGB individual balance sheet of METRO AG as at 30 September 2016, the equity of METRO AG consists of capital stock in the amount of EUR 835 million, a capital reserve in the amount of EUR 2,558 million, retained earnings in the amount of EUR 2,388 million and a net profit in the amount of EUR 341 million. The latter is carried forward for the payment of the dividend to METRO shareholders, with any remaining excess being carried forward as a profit.

Overall, the carrying amount of the Hive-Down Assets is negative, so that a gain arising from the hive-down in the amount of EUR 992 million occurs at METRO AG no later than upon the hive-down taking effect.

The spin-off results in an asset disposal recorded on the balance sheet of METRO AG in the amount of approximately EUR 5,819 million. This disposal will be offset against METRO AG's equity, initially against the previously incurred entire gain arising from the hive-down, the entire profit carried forward remaining after the dividend payout, the entire retained earnings and then against a portion of the capital reserve of METRO AG. After that, a capital reserve of approximately EUR 132 million remains at METRO AG. The capital stock of METRO AG pursuant to the Articles of Association remains unchanged. There is no requirement to implement a (simplified) reduction of the capital stock since the spin-off does not affect the legal capital reserve within the meaning of § 150 AktG in the amount of 10 percent of the capital stock. To the extent necessary, METRO AG has the option of creating the equity capital required for the implementation of the spin-off by way of withdrawals from subsidiaries.

(4) Balance sheet and pro forma balance sheet of MWFS AG (HGB)

The column "MWFS AG as at 30/09/2016 (prior to demerger)" of the following overview contains the individual balance sheet of MWFS AG as at 30 September 2016, 12:00 p.m. It represents the situation prior to the date when the demerger took effect. The column "MWFS AG as at 01/10/2016 (pro forma after demerger)" includes the pro forma balance sheet of MWFS AG as at 01 October 2016, 0:00 a.m. It represents the situation after the hive-down and the spin-off had taken effect, taking into consideration the further pro forma assumptions. The reconciliation columns reflect the measures to establish the value relation, the reduction of the capital stock at MWFS AG as well as the Hive-Down Assets and the Spin-Off Assets.

EUR thousand	MWFS AG as at 30/09/2016 (prior to de- merger)	Measures to establish the value relation (pro forma)	Reduction of the capital stock (pro forma)	Reconciliation of hive-down at fair values (pro forma)	Reconciliation of spin-off at carrying amounts (pro forma)	MWFS AG as at 01/10/2016 (pro forma after demerger)
Assets						
A. Fixed assets	7,494,896	0	0	2,789,590	6,112,711	16,397,196
I. Intangible assets	0	0	0	1,034,306	0	1,034,306
II. Property, plant and equipment	0	0	0	2,335	0	2,335
1. Leasehold improvements	0	0	0	19	0	19
2. Other equipment, operating and of- fice equipment	0	0	0	2,316	0	2,316
III. Financial assets	7,494,896	0	0	1.752.948	6.112.711	15.360.555
1. Shares in affiliated companies	7,494,896	0	0	1.752.000	6.112.711	15.359.607
2. Loans to affiliated companies	0	0	0	157	0	157
3. Long-term equity investments	0	0	0	50	0	50
4. Other loans	0	0	0	741	0	741
B, Current assets	40,442	0	0	630,836	0	671,278
I, Inventories	0	0	0	0	0	0
II, Receivables and other assets	40,442	0	0	612,840	0	653,282
1, Receivables from affiliated compa- nies	40,291	0	0	595,621	0	635,912
2, Other assets	152	0	0	17,219	0	17,370
III, Cheques, cash-in-hand and bank balances	0	0	0	17,996	0	17,996
C, Prepaid expenses	0	0	0	14,123	0	14,123
Total assets	7,535,338	0	0	3,434,549	6,112,711	17,082,597

	MWFS AG as at 30/09/2016 (prior to de- merger)	Measures to establish the value relation (pro forma)	Reduction of the capital stock (pro forma)	Reconciliation of hive-down at fair values (pro forma)	Reconciliation of spin-off at carrying amounts (pro forma)	MWFS AG as at 01/10/2016 (pro forma after demerger)
EUR thousand						
Liabilities and equity						
A. Equity	393,528	232,700	0	89,300	5,818,955	6,534,483
I. Subscribed capital	204,517	0	-171,838	3,631	326,788	363,097
II. Capital reserve	189,011	232,700	0	85,669	5,492,168	5,999,548
III. Retained earnings	0	0	0	0	0	0
IV. Net profit/(loss)	0	0	171,838	0	0	171,838
of which: gain arising from hive- down						
B. Provisions	3,156	0	0	306,640	0	309,796
1. Provisions for pensions and similar obligations	0	0	0	1,916	0	1,916
2. Provisions for taxes	3,136	0	0	7,060	0	10,196
3. Other provisions	20	0	0	297,664	0	297,684
C. Liabilities	7,138,654	-232,700	0	3,033,356	293,756	10,233,066
1. Bonds	0	0	0	1,751,000	0	1,751,000
2. Assignable loans	0	0	0	66,000	0	66,000
3. Liabilities to banks	0	0	0	27,927	0	27,927
4. Trade payables	1	0	0	20,649	0	20,651
5. Liabilities to affiliated companies	7,138,653	-232,700	0	1,010,379	293,756	8,210,088
6. Other liabilities	0	0	0	157,401	0	157,401
D. Deferred income	0	0	0	5,253	0	5,253
Total liabilities and equity	7,535,338	0	0	3,434,549	6,112,711	17,082,597

(5) Explanations of the effects of the demerger on the MWFS AG balance sheet

The individual balance sheet of MWFS AG as at 30 September 2016 primarily includes, on the assets side, shares in affiliated companies in the amount of approximately EUR 7,495 million and receivables from affiliated companies of approximately EUR 40 million. The shares in affiliated companies include (1.) the shares in the companies of the sales lines METRO Cash & Carry and Real acquired in September 2016 from METRO Groß- und Lebensmitteleinzelhandel Holding GmbH and METRO Erste Erwerbsgesellschaft mbH (cf. Section IV.1.b)) and (2.) the limited partnership interest in METRO PROPERTIES GmbH & Co. KG contributed by METRO AG in September 2016. The liabilities to affiliated companies amount to EUR 7,139 million. These primarily result in the amount of approximately EUR 6,625 million from the acquisition of the METRO Cash & Carry and Real companies and the in the amount of EUR 450 million from a withdrawal made in September 2016 that was converted into a shareholder loan (cf. Section IV.1.a)).

The effects of the hive-down and spin-off, the measures to establish the value relation, the ordinary reduction of the capital stock as well as the change in legal form are reflected in the pro forma individual balance sheet of MWFS AG as at 1 October 2016, 0:00 a.m. The hive-down and the spin-off result in MWFS AG becoming the owner of the Hive-Down Assets and the Spin-Off Assets, leading to equivalent additions in the balance sheet of MWFS AG. The Hive-Down Assets are recorded in the balance sheet of MWFS AG at fair values in accordance with commercial law. These were determined by an audit firm in accordance with the valuation standards of the IDW (Institute of Public Auditors in Germany). Since the Hive-Down Assets are recognised at MWFS AG at fair values in accordance with the Demerger Agreement, the values recognised at MWFS AG differ from the carrying amounts reported in the balance sheet of METRO AG as at 30 September 2016. In contrast, the Spin-Off Assets are recognised at carrying amounts for financial reporting purposes under commercial law; the amount of the additions at MWFS AG equals that of the related disposals at METRO AG. The assets contributed to establish the value relation in the amount of EUR 233 million were recorded at carrying amounts.

The hive-down leads to an increase of the corresponding balance sheet items on the assets side of the pro forma individual balance sheet of MWFS AG as at 1 October 2016, 0:00 a.m. The disclosure of hidden reserves resulted in an increase in total assets in an amount of EUR 1,195 million.

On the assets side of the balance sheet, the spin-off exclusively increases the shares in affiliated companies by EUR 6,113 million, mainly relating to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, which directly and indirectly via a subsidiary has a purchase price receivable in the amount of approx. EUR 6.6 billion from MWFS AG (cf. Section IV.1.b)). The carrying amount of METRO Groß- und Lebensmitteleinzelhandel Holding GmbH as at 30 September 2016 was increased from EUR 4,406 million to EUR 6,113 million due to measures to establish the value relation.

In addition to the receivables from affiliated companies transferred by way of hive-down, an amount of EUR 233 million from the loan receivable from MWFS AG in the amount of EUR 450 million was contributed to MWFS AG. This resulted in the liability to be extinguished due to confusion of rights in an equivalent amount (see below).

On the liabilities side of the pro forma individual balance sheet of MWFS AG as per 1 October 2016, 0:00 a.m., as a result of the spin-off further liabilities and contingencies, including all financial liabilities of METRO AG, in a total amount of approx. EUR 3.2 billion, for which corresponding provisions are recognised are transferred. The hive-down also results in deferred tax liabilities in the amount of EUR 113 million which are shown in the pro forma presentations under other liabilities.

By means of the spin-off the obligation to compensate for losses vis-à-vis METRO Groß- und Lebensmitteleinzelhandel Holding GmbH in an amount of approx. EUR 294 million will be transferred to MWFS AG.

The previous loan payable to METRO AG in the amount of EUR 450 million has been extinguished in the amount of EUR 233 million since this portion of the receivable of METRO AG was contributed to MWFS AG to establish the value relation. It is paid in the amount of EUR 204 million to finance the payment of the proposed dividend to METRO AG. The funds required in this respect are generated by way of taking out an intra-group loan. Of the loan in the amount of EUR 450 million, a payable to METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, which was contributed to this company to establish the value relation, in the amount of EUR 13 million remains at MWFS AG. The liabilities from the acquisition of the shares in the companies of the sales lines METRO Cash & Carry and Real in the amount of approx. EUR 6.6 billion exist towards subsidiaries of MWFS AG upon the spin-off taking effect.

After the hive-down and spin-off have taken effect, subscribed capital amounts to EUR 363,097,253. This includes the increase of the capital stock by EUR 326,787,529 to implement the spin-off as well as the increase of the capital stock by EUR 3,630,972 to implement the hive-down. Previously, the capital stock existing upon the change in the

legal form to a German stock corporation had been reduced to EUR 32,678,752. The reduction of the capital stock resulted in income of EUR 172 million. To the extent that the value recognised in the financial reporting of MWFS AG for both Hive-Down Assets and Spin-Off Assets, respectively, exceeds the amount of the capital increases to implement hive-down and spin-off, such excess is transferred to the capital reserve pursuant to § 272 para. 2 no. 1 HGB. The contribution of assets to establish the value relation resulted in an increase of the capital reserve within the meaning of § 272 para. 2 no. 4 HGB by EUR 233 million.

b) Effects on the IFRS consolidated balance sheets

This Section describes the effects of the hive-down and the spin-off on the consolidated balance sheets of METRO AG and of MWFS AG as the management holding of the future MWFS Group.

(1) General information

The consolidated balance sheet of METRO AG as at 30 September 2016, 12:00 p.m., represents the situation before hive-down and spin-off have taken effect. There is no consolidated balance sheet of MWFS AG as at 30 September 2016 since MWFS AG does not constitute a Group together with the companies of the subsequent MWFS Group within the meaning of IFRS 10 (Consolidated Financial Statements) prior to the demerger taking effect.

The situation after the hive-down and the spin-off have taken effect is reflected in the pro forma consolidated balance sheets of MWFS AG and of METRO AG as at 1 October 2016, 0:00 a.m.

For the purpose of the pro forma consolidated balance sheet of METRO AG, it is assumed that each the hive-down and the spin-off take effect on the Relevant Demerger Date (1 October 2016, 0:00 a.m.). The pro forma consolidated balance sheet of METRO AG was derived from the combined CE financial information for the financial year 2015/16 (the "**Combined CE Financial Information**"). The Combined CE Financial Information reflects the economic activities of the CE Business Division for the 2015/16 financial year ending 30 September 2016. In this context, the assets were allocated in accordance with the Demerger Agreement, taking into account the measures to establish the value relation. This also includes the liquidity position as at 30 September 2016. In accordance with IFRS requirements, the 10 percent interest in MWFS AG could not be reported since there was a Group affiliation with METRO AG as at 30 September 2016. However, the interest was reported in the pro forma consolidated balance sheet

since it was prepared under the assumption that the spin-off has taken effect and that the Group affiliation has been terminated. In addition, the pro forma consolidated balance sheet of METRO AG takes into account the payout of the proposed dividend to the METRO shareholders for the financial year 2015/16 as well as the elimination of deferred tax assets. These assumptions and effects are reported in the column entitled "CE reconciliation (pro forma)" in the summary table below.

For the purpose of the pro forma consolidated balance sheet of MWFS AG, it is assumed that each the hive-down and the spin-off take effect on the Relevant Demerger Date (1 October 2016, 0:00 a.m.). The pro forma consolidated balance sheet of MWFS AG was derived from the combined MWFS financial statements for the financial year 2015/16 (the "**Combined MWFS Financial Statements**"). The Combined MWFS Financial Statements reflect the economic activities of the MWFS Business Division for the financial year ending 30 September 2016. In this context, the assets were allocated in accordance with the Demerger Agreement, taking into account the measures to establish the value relation. For the purpose of the pro forma consolidated balance sheet of MWFS AG as at 1 October 2016, it was also assumed that the change in legal form of METRO Wholesale & Food Specialist GmbH to MWFS AG with a subsequent ordinary reduction of the capital stock has taken effect and that the receivables of METRO AG from companies of the MWFS Business Division intended to be used for the dividend payment of METRO AG have been realised. The latter is reported in the column entitled "MWFS reconciliation (pro forma)" in the summary table below.

The consolidated balance sheet of METRO AG was prepared on the basis of the International Financial Reporting Standards ("**IFRS**") and the Interpretations of the IFRS Interpretation Committee ("**IFRIC**"), as adopted by the European Union. It was audited as part of the consolidated financial statements of METRO AG as at 30 September 2016 by METRO AG's group auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, and received an unqualified audit opinion and was also approved by the Supervisory Board of METRO AG on 08 December 2016.

The Combined MWFS Financial Statements and the Combined CE Financial Information were generally prepared on the basis of the same accounting principles and reported amounts that were also used as the basis for METRO's consolidated financial statements. The method of continuation of carrying amounts was applied to the extent that it was in compliance with IFRS. In the case of the Combined MWFS Financial Statements, goodwill identified within the framework of the continuation of carrying amounts in accordance with IFRS 1 (bottom-up approach) and hidden reserves included in real property assets from acquisitions of METRO AG identified within the context of purchase price allocations were eliminated. The Combined MWFS Financial Statements as at

30 September 2016 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with the International Standards on Accounting (IAS) and received an audit opinion. According to this opinion, the Combined MWFS Financial Statements present – in compliance with the IFRS as applicable in the European Union – on the whole a true and fair view in all material respects of the asset and financial position of the MWFS Business Division as at 30 September 2016. The Combined CE Financial Information has not been audited. The pro forma consolidated balance sheets as at 01 October 2016 are also unaudited.

Due to rounding it may be that individual figures shown in the balance sheets and the pro forma balance sheets do not exactly add up to the stated total figures. The actual consolidated balance sheets at the date when hive-down and spin-off take effect will deviate from the pro forma consolidated balance sheets.

EUR million	METRO Group as at 30/09/2016 (prior to demerger)	Combined CE balance sheet as at 30/09/2016	CE reconciliation (pro forma)	Pro forma METRO con- solidated balance sheet as at 01/10/2016 (after demerger)	Combined MWFS bal- ance sheet as at 30/09/2016	MWFS reconciliation (pro forma)	Pro forma MWFS con- solidated balance sheet as at 01/10/2016 (after demerger)
Assets							
Non-current assets	13,369	1,843	-84	1,759	9,434	0	9,434
Goodwill	3,361	525		525	852		852
Other intangible assets	497	77		77	420		420
Property, plant and equipment	8,141	881		881	6,979		6,979
Investment properties	126	0		0	163		163
Financial assets	104	73		73	89		89
Investments accounted for using the equity method	188	5		5	183		183
Other financial and other assets	289	51	89	140	239		239
Deferred tax assets	663	231	-173	58	509		509
Current assets	11,583	5,260	474	5,734	6,558	-221	6,337
Inventories	5,456	2,393		2,393	3,063		3,063
Trade receivables	808	326		326	493		493
Financial assets	1	0		0	0		0
Other financial and other assets	2,734	1,679	580	2,259	1,280		1,280
Income tax receivables	216	93		93	123		123
Cash and cash equivalents	2,368	769	-106	663	1,599	-221	1,378
Total assets	24,952	7,103	390	7,493	15,992	-221	15,771

EUR million	METRO Group as at 30/09/2016 (prior to demerger)	Combined CE balance sheet as at 30/09/2016	CE reconciliation (pro forma)	Pro forma METRO consolidated balance sheet as at 01/10/2016 (after demerger)	Combined MWFS balance sheet as at 30/09/2016	MWFS reconciliation (pro forma)	Pro forma MWFS consolidated balance sheet as at 01/10/2016 (after demerger)
Liabilities and equity							
Equity	5,332	360	390	750	2,924	0	2,924
Subscribed capital	835	---	835	835	---	363	363
Reserves	4,485	-332	-269	-63	-860	3,355	2,495
Net assets attributable to METRO GROUP	---	714	-714	---	3,748	-3,748	---
Non-controlling interests	12	-22		-22	36	30	66
Non-current liabilities	5,950	916	0	916	4,954	0	4,954
Provisions for pensions and similar commitments	1,414	769		769	646		646
Other provisions	383	62		62	297		297
Debt	3,812	16		16	3,796		3,796
Other financial and other liabilities	191	64		64	127		127
Deferred tax liabilities	150	5		5	88		88
Current liabilities	13,670	5,827	0	5,827	8,114	-221	7,893
trade payables	9,383	4,502		4,502	4,892		4,892
provisions	705	170		170	559		559
Debt	947	2		2	944		944
Other financial and other liabilities	2,465	1,110		1,110	1,591	-221	1,370
Income tax liabilities	170	43		43	128		128
Total liabilities and equity	24,952	7,103	390	7,493	15,992	-221	15,771

(2) Explanation of the effects of the demerger on the consolidated balance sheet of METRO AG

The consolidated balance sheet of METRO AG as at 30 September 2016 represents both the CE Business Division and the MWFS Business Division in each case as continued operations.

Upon the adoption of a resolution and the consent of the general meeting of METRO AG to the Demerger Agreement, pursuant to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) the MWFS Business Division will be presented separately in the consolidated balance sheet of METRO AG as discontinued activities until the spin-off takes effect. From this point in time, the individual assets and liabilities of the MWFS Business Division are not depreciated in the consolidated balance sheet of METRO AG and are measured at the lower of carrying amount and fair value less costs to sell. As a consequence of the measurement of individual assets, a need for the recognition of impairments or increases in value may arise in this respect in the individual case.

The spin-off is to be presented in accordance with IFRIC 17 (Distributions of Non-cash Assets to Owners). Upon the granting of consent to the Demerger Agreement by the general meeting of METRO AG, a liability from distributions of non-cash assets is booked without an effect on income. The distribution of non-cash assets corresponding to the liability is measured at the fair value of the assets to be transferred as applicable at the date of the general meeting. This is equivalent to 90 percent of the fair value of the MWFS Business Division. Accordingly, this does not take into account the value of the direct and indirect interest in MWFS AG remaining with METRO AG. The book entry is made against the equity capital of METRO Group, which will result in an equity reduction in the same amount. This means that at the point in time of the general meeting of shareholders of METRO AG a consolidated balance sheet of METRO AG prepared as at this point in time would temporarily show a negative equity capital (if a present value of the MWFS Business Division of EUR 8.9 billion and a book value of the equity capital of EUR 5.3 billion were assumed, in each case as at 30 September 2016, a negative equity capital in an amount of approx. EUR 2.7 billion would result). On each of the following quarterly statement dates (for the first time on 31 March 2017) until the point in time of the spin-off taking effect and the commencement of the stock exchange listing of the shares in MWFS AG, the distribution of non-cash assets will be remeasured and adjusted without effect on income to the current present value applicable in each case.

Accordingly, the assets that are recognised separately as discontinued activities and liabilities are remeasured and, in the case of changes in value, adjusted pursuant to IFRS

5 with an effect on income. The measurement pursuant to IFRS 5 follows the principle of measurement at the lower of carrying amount and fair value less costs to sell. Thus, if the applicable present value less costs to sell falls below the carrying amount, an impairment has to be recognised with an effect on income in the profit and loss statement. In the event of an increase of the fair value, any appreciation is limited to the maximum amount of the continued historic carrying amounts of the net assets at the time of the consent of the general meeting of METRO AG to the Demerger Agreement.

Upon the granting of consent to the Demerger Agreement by the general meeting, the change in value of the active deferred taxes in an expected amount of approx. EUR 173 million attributable to the CE Assets of METRO AG have to be recognised with an effect on income. This will occur for the first time in the quarterly financial statements as per 31 March 2017.

The deconsolidation of the MWFS Business Division in the consolidated financial statements will occur only upon the spin-off taking effect and the commencement of the stock exchange listing of the MWFS Shares. This point in time constitutes the so-called loss of control pursuant to IFRS. Simultaneously, the distribution of non-cash assets and the assets and liabilities of the MWFS Business Division recognised separately as discontinued activities pursuant to IFRS 5 will be derecognised. In contrast, the 10 percent interest of METRO AG in MWFS AG will be recognised. From today's perspective, it is not possible to predict the amount of the accounting effects for METRO Group. The negative equity capital is likely to be compensated in the consolidated balance sheet of METRO AG by the deconsolidation. The amount of the then remaining equity capital depends on the value relations at the point in time of the spin-off taking effect. This concerns both the development of the fair value of the distribution of non-cash assets since the consent of the general meeting of METRO AG to the Demerger Agreement and the net carrying amount of the MWFS Business Division. For the purposes of presentation in the above table, a fair value of the distribution of non-cash assets per 30 September 2016 in an amount of approx. EUR 8 billion was used as a basis and it was further assumed that this value as well as the net carrying amount of the MWFS Business Division had not changed at the time of the spin-off becoming effective.

Upon the demerger taking effect, receivables and payables existing between companies of the MWFS Group and of the remaining METRO Group will be recognised in the consolidated balance sheet of METRO Group as a result of the discontinuation of the consolidation of the MWFS Business Division (this was already described in the Combined CE Financial Information).

The interest in the total amount of 10 percent in MWFS AG remaining with METRO AG after the spin-off taking effect will be recognised in the pro forma consolidated balance sheet of METRO AG under current assets (other financial and other assets) in an amount of 9 percentage points, whereas the 1 percent interest will be recognised under non-current assets (other financial and other assets) because of the blocked period for tax purposes. This does not constitute any decision on the part of the management board of METRO AG to actually dispose of the 9 percent interest, or part thereof, in the near future. The IFRS require the measurement of the remaining company interests in MWFS AG at the applicable fair value. Following the taking effect of the spin-off and the subsequent stock exchange listing of the MWFS Shares, the applicable fair value will be derived on the basis of the stock market price of the MWFS Shares. Since a stock exchange listing of the MWFS Shares will take place only immediately after the spin-off taking effect, for the purposes of the pro forma consolidated balance sheet the pro rata value of the MWFS Business Division will be used as a basis. The fair value of the entire MWFS Business Division was determined by an audit firm in the course an enterprise valuation in accordance with the valuation standard IDW S1 as at 30 September 2016. Based on this valuation, a total amount of approx. EUR 0.9 billion was recognised in the consolidated balance sheet of METRO AG for the 10 percent interest in MWFS AG.

Besides, the pro forma consolidated balance sheet of METRO AG as at 1 October 2016 takes into account the payment of the proposed dividend for the 2015/16 financial year in an amount of EUR 327 million. For the payment of the dividend, cash and cash equivalents in an amount of EUR 106 million as well as other financial and other current assets to be realised beforehand in an amount of EUR 221 million are provided for.

On the liabilities side, with regard to current liabilities (EUR 5,827 million) trade payables constitute the main item with EUR 4.5 billion (in particular supplier credits). In the case of the non-current liabilities (EUR 916 million), it is the pension obligations in an amount of EUR 769 million.

The changes in equity presented in the reconciliation column under the items "Net assets attributable to METRO GROUP" and "Other equity items" reflect the fact that in the Combined CE Financial Information the equity had to be structured differently and in a less detailed manner than in the consolidated financial statements of METRO AG.

As a result of the demerger and based on the assumptions described above, the equity of METRO Group is expected to be reduced from EUR 5.3 billion to EUR 750 million. This is due primarily to the retirement of 90 percent of the MWFS Business Division. In addition, there are the loss of active deferred taxed as well as the payment of the dividend.

The equity capital after demerger comprises the subscribed capital in an unchanged amount of EUR 835 million, a (capital and profit) reserve in an expected total amount of EUR -63 million as well as non-controlling interests in an amount of EUR -22 million.

The currency fluctuations (EUR 0.5 billion) attributable to the MWFS Business Division, which so far reduced the equity in the consolidated financial statements of METRO AG, will upon deconsolidation be recognised in the profit and loss statement with an effect on income. On balance, this does not result in a change in equity capital.

(3) Explanation of the effects of the demerger on the consolidated balance sheet of MWFS AG

In the pro forma balance sheet of the future MWFS Group, upon the demerger taking effect the assets and liabilities allocated to the newly formed MWFS Group will be recognised. These assets correspond substantially to the assets and liabilities presented in the Combined MWFS Financial Statements as at 30 September 2016. The cash and cash equivalents in the pro forma consolidated financial statements as at 1 October 2016 have decreased by EUR 221 million, as they are used to settle liabilities towards METRO AG in order to enable the latter to make the dividend payments. The corresponding liability is decreased by the same amount.

On the liabilities side, with regard to non-current liabilities (EUR 4,954 million) financial liabilities constitute the main item in an amount of EUR 3,796 million. In the case of the current liabilities (EUR 7,893 million), the main item are trade payables with an amount of EUR 4,892 million. In addition, there are current financial liabilities in an amount of EUR 944 million.

The changes in equity presented in the reconciliation column under the items "Net assets attributable to METRO GROUP" and "Other equity items" reflect the fact that in the Combined MWFS Financial Statements the equity had to be structured differently and in a less detailed manner than in the consolidated financial statements of METRO AG.

The equity capital of the MFWS Group after the demerger is expected to amount to EUR 2,924 million. It comprises the subscribed capital of EUR 363 million, a (capital and profit) reserve in an expected total amount of EUR 2,495 million as well as non-controlling interests of EUR 66 million. The equity amount primarily reflects the elimination without an effect on income of goodwill and hidden reserves in the course of the continuation of carrying amounts pursuant to IFRS 1 (bottom-up approach) in a total amount of EUR 2.3 billion (already taken into account in the Combined MWFS Financial Statements). Besides, in the future consolidated financial statements of MWFS AG, as a

result of the 6.61 percent interest of METRO AG in METRO PROPERTIES GmbH & Co. KG, new non-controlling interests will be recognised in the equity capital with a carrying amount of EUR 30 million, which previously was recognised in the equity capital allocated to controlling shareholders.

2. Fiscal effects of the demerger

The following explanations describe the essential fiscal effects of the hive-down and spin-off for METRO AG, MWFS AG and METRO shareholders. The contractual risk allocation regarding taxes is only outlined briefly in this part (particularly in Section e)); a more detailed presentation may be found in Sections XII.2.e) to j).

a) Description of the concept / valuation

The objectives pursued by the segmentation can, in the view of the management board of METRO AG and the management board of MWFS AG, be achieved through the transaction structure chosen with relatively small tax costs and reasonable tax risks.

The parts of the MWFS Business Division eventually to be bundled in MWFS AG had already been subject to a different tax qualification so far and, having regard to such qualification, allowed for being transferred to MWFS AG in a series of independent steps. In this respect, it was possible to use the statutory income tax exemption of 95 percent (§ 8b paras. 2, 3 of the German Corporation Tax Act (*Körperschaftsteuergesetz* – "**KStG**") for essential parts of the assets.

The operations of the MWFS Business Division, including the MWFS Corporate Centres acting on behalf of this Business Division and the pertaining company interests, constitute a branch of activity for tax purposes in the view of the management boards of METRO AG and MWFS AG. This was confirmed by the competent tax office in a binding assessment. Through the hive-down of this branch of activity to MWFS AG, a disclosure for tax purposes of the hidden reserves contained in such branch can be avoided as a general rule. To this end, MWFS AG will apply for the continuation of carrying amounts.

Pursuant to § 22 para. 1 of the German Transformation Tax Act (*Umwandlungsteuergesetz* – "**UmwStG**"), the interest in MWFS AG in the amount of approximately 1 percent of the capital stock (after the spin-off), which was granted to METRO AG in consideration of the transfer of the Spin-Off Assets, is subject to a blocked period (in this regard, see Section c)(2)) and therefore not disposable for seven years from the Relevant Hive-Down Date without presumably serious tax burdens. The taxable amount is subject to a linear decrease of one seventh per year. In order to avoid the aforemen-

tioned tax consequences, the interest that is subject to the blocked period is also subject to certain additional restrictions.

In contrast, the remaining interest of METRO AG in MWFS AG in the amount of approximately 9 percent of the capital stock (upon spin-off) is not subject to any such blocked period and may, thus, basically be disposed of without any significant fiscal disadvantages. This requires that according to fiscal rules the amount of the shares granted is congruent in value at the time of the hive-down with the previously existing share in MWFS AG (whose value essentially results from the hidden contribution of the limited partnership interest in METRO PROPERTIES GmbH & Co. KG into MWFS AG (in this regard, see Section IV.1.a)). Otherwise, the fiscally blocked period might proportionately extend to the (future) share of 9 percent. The same (requirement of congruent value of the granted shares to avoid proportionate applicability of the blocked period) applies also to the 90 percent interest of METRO shareholders in MWFS AG, which interest is created through the spin-off.

For this reason a valuation had to be conducted for the execution of the hive-down and the spin-off. This valuation was basically made as per the measurement date of 30 September 2016 (which is at the same time the Tax Transfer Effective Date), by taking into account subsequent contributions of so-called neutral assets (financial assets, such as receivables and loans vis-à-vis affiliated companies) made into METRO Groß- und Lebensmitteleinzelhandel Holding GmbH and (via METRO Consumer Electronics Zwischenholding GmbH & Co. KG) into MWFS AG. Accordingly, a valuation was conducted as of that date regarding the entire MWFS Business Division as well as its relevant parts, i.e. the MWFS Business Division as a whole and the transfers of assets that increased the value of the existing shares in MWFS AG or, as the case may be, due to which the new shares in MWFS AG will be issued in the course of the planned hive-down and spin-off. This concerns namely (i) the future share of approximately 9 percent in MWFS AG, which share is essentially based on the hidden contribution of the limited partnership interest in METRO PROPERTIES GmbH & Co. KG already made and the contribution of neutral assets into MWFS AG, minus the withdrawal made on 30 September 2016 from MWFS AG in an amount of EUR 450 million (in this regard see Section IV.1.a)), (ii) the share of approximately 1 percent which METRO AG will acquire by virtue of the hive-down, and (iii) the approximately 90 percent of the shares in MWFS AG that will be granted to the METRO shareholders as consideration for the spin-off. The valuation is prepared by an audit firm.

The valuation is of essential importance for the fiscal treatment of the hive-down and the spin-off, as it forms the basis for the value-congruent allocation of the shares issued in the course of various measures. Value-congruent allocation is important for achieving

that basically only the share of approximately 1 percent, which is created through the hive-down, will be subject to the fiscally blocked period within the meaning of § 22 para. 1 UmwStG and thus results in a retroactive taxation of hidden reserves in the hive-down assets in case of a disposal (or any other procedures deemed by law to be equivalent) within a blocked period of seven years. It is intended that this does not apply in case of a disposal of the remaining shares in MWFS AG. As a general rule, this would only be different if the issuance of the MWFS Shares in the course of the various measures taken was not made with a congruent value (i.e. without regard to the value relations of the respective assets existing). Such incongruence in terms of value could have the effect that in addition to the share of approximately 1 percent the remaining MWFS Shares would also partially (proportionately to the incongruence in terms of value) be subject to a blocked period, with the consequence that also regarding part of such shares (particularly in case of disposals; this may even include regular stock trading) significant fiscal disadvantages might arise also for METRO AG or, as the case may be, MWFS AG (§ 22 para. 7 UmwStG). The relevant fiscal effects will be presented below for the individual sub-steps.

The corresponding valuations were prepared by an audit firm and were then validated and confirmed by another audit firm. The IDW S1 valuation method is considered to be one of the methods that should fall within the scope of the term 'capitalised earnings method' as defined in § 11 of the German Valuation Act (*Bewertungsgesetz*). No formal agreement with the tax authority (particularly by way of a binding assessment) regarding the valuation procedure itself as well as specific values was made, as such valuation issues are usually practically not admissible for a formal agreement in advance.

On the whole, the chosen structure is clearly characterised by valuation sensitivity. However, the management board of METRO AG and the management board of MWFS AG have taken all appropriate measures to minimise any possible risks; as the valuation was made with regard to all essential information and planning available as of today, it is considered by the management boards of METRO AG and MWFS AG to be an appropriate and accurate expression of the value relations of the various parts / shares. Besides, in the view of the management boards of METRO AG and MWFS AG any remaining risks are not disproportionate to the advantages achieved by the demerger itself and the specific structure.

To safeguard the measures planned, a binding assessment was requested and received from the competent tax authority. This way it was possible to acquire legal and planning security – if the measures are implemented accordingly – regarding essential parts of the measures planned (other than the above mentioned valuation issues). This regards, among other things (as already mentioned), the qualification for tax purposes as a

branch of activity for the part of the MWFS Business Division, which according to the provisions of the Demerger Agreement constitutes the Hive-Down Assets, the fiscally harmless termination of tax groups between companies of the MWFS Business Division and METRO AG as well as the effects of the various measures on the losses carried forward by MWFS AG.

With regard to any still existing risks, the parties have agreed on the allocation of tax liability in the Group Separation Agreement (see Sections XII.2.e) to j)).

b) Tax effects for METRO AG

(1) Preparatory actions (pre-structuring)

For the subsequent hive-down and spin-off it is important in terms of income taxes, among other things, that on the planned Tax Transfer Effective Date (30 September 2016) the parts of the assets, which are transferred by way of the hive-down and the spin-off, are adequately separated from each other as well as from the remaining assets. In particular, it had to be ensured that the various asset groups (so-called 'aggregated assets' for tax purposes) each meet the requirements of a branch of activity for tax purposes (for details see Sections (2) and (3) below).

Therefore, in preparation of the hive-down and the subsequent spin-off various measures were implemented within METRO GROUP up to and including 30 September 2016, among other things in order to create or, as the case may be, complete this desired status as a branch of activity of the relevant aggregated asset (in this regard, see in particular Sections IV.1. to 2.) as well as at the same time to initiate the funding of MWFS AG with assets by way of hidden contributions already at an early stage and prior to the transformation measures. This concerns essentially the transfer of the 92.9 percent limited partnership interest of METRO AG in METRO PROPERTIES GmbH & Co. KG into MWFS AG, the subsequent contribution of the interest in MWFS AG into METRO Consumer Electronics Zwischenholding GmbH & Co. KG against issuance of new shares, a withdrawal of EUR 450 million from the capital reserves of MWFS AG (at the time still in the legal form a GmbH) as well as various disposals, mainly of interests (to a greater extent particularly by METRO Groß- und Lebensmitteleinzelhandel Holding GmbH or subsidiaries thereof) within METRO GROUP.

The transfer of the approximately 92.9 percent limited partnership interest in METRO PROPERTIES GmbH & Co. KG to MWFS AG was made by way of a hidden contribution. This contribution is recorded for tax purposes at the going concern value (*Teilwert*, § 6 para. 1 no. 5 of the German Income Tax Act (*Einkommensteuergesetz* – EStG)). In

the amount of the difference between the going concern value and the (lower) carrying amount of the transferred limited partnership interest METRO AG realised income in terms of income tax. However, no actually payable tax is expected thereunder for METRO AG (for corporation tax) or for METRO PROPERTIES GmbH & Co. KG itself (for trade tax), as this income is largely exempt from taxes (§ 8b para. 2 KStG), since the assets of METRO PROPERTIES GmbH & Co. KG substantially consist of interests in subsidiaries that are corporations) and furthermore both have current losses that are higher than the taxable income expected. No real property transfer tax is expected to derive from the transfer due to the retention of a share of approximately 6.61 percent by METRO AG. Regarding this remaining share, METRO AG and MWFS AG have concluded an option agreement, which facilitates the disposal of this remaining share to MWFS AG in the future subject to specific timing requirements (cf. Section X.1). No fiscal effects of the conclusion of the option agreement are expected.

In addition, METRO Consumer Electronics Zwischenholding GmbH & Co. KG made a withdrawal from the capital reserves of MWFS AG in the amount of EUR 450 million. From a tax perspective, this withdrawal was made from the fiscal contribution account of MWFS AG, with the consequence that no dividend withholding tax was incurred and only the carrying amount of MWFS AG was decreased correspondingly.

To the extent that shares in corporations were transferred in the course of the preparatory actions (in particular, various disposals were made to MWFS AG by METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, which until 30 September 2016 was still an income tax subsidiary company of METRO AG), taxation is governed by the applicable provisions of § 8b paras. 2 and 3 KStG, i.e. any book profits realised for tax purposes generally remain exempt from corporation and trade tax at a rate of 95 percent, any realised book losses are not fiscally deductible.

To the extent that in the course of pre-structuring measures any fiscal profits are incurred in Germany, no tax payment is expected due to current fiscal losses of METRO AG.

In the course of the pre-structuring, among other things one piece of real property as well as various company interests holding German real property were transferred. This triggered real property transfer tax in some cases; the expected property transfer tax is in the range of approximately EUR 1 million.

(2) Hive-down

The operative Cash & Carry division existing at METRO AG, including the MWFS Corporate Centre, will be hived down to MWFS AG (regarding the extent of Hive-Down Assets see Sections IV.2.b) and XII.1.f)). In consideration of the transfer of this aggregated asset, METRO AG will receive newly issued shares in the capital stock of MWFS AG, which upon the demerger taking effect will account for a share in the capital stock of approximately 1 percent.

The Tax Transfer Effective Date within the meaning of the UmwStG for the hive-down is 30 September 2016, 12:00 p.m. At METRO AG and at MWFS AG income and assets are, therefore, to be determined in such manner as if the Hive-Down Assets of METRO AG had been transferred to MWFS AG upon the expiry of 30 September 2016.

For METRO AG the essential effects of the hive-down in terms of income tax derive from § 20 UmwStG. Basically, a hive-down is to be effected in terms of income tax at the fair market value (*gemeiner Wert*) (similar to the fair value (*Verkehrswert*)) (§ 20 para. 1 UmwStG); this way, a taxable profit may arise at the transferring entity (here METRO AG) on the Tax Transfer Effective Date. However, upon application the hive-down may be executed at the level of METRO AG in a fiscally neutral manner at carrying amounts (§ 20 para. 2 UmwStG). MWFS AG will submit an application to this end. A requirement for this is, in particular, that the Hive-Down Assets of the MWFS Business Division constitute a branch of activity within the meaning of the UmwStG and that this branch of activity is also transferred to the acquiring entity MWFS AG to a fiscally adequate extent (including all so-called essential parts of the operation and economically allocable assets). The fulfilment of the requirements for a branch of activity was comprehensively examined and ensured also by a binding assessment from the competent tax authority. The allocation of the assets of METRO AG to the Hive-Down Assets in the Demerger Agreement (and thus not to the Spin-Off Assets or the CE Assets remaining with METRO AG) was actually implemented in compliance with the fiscal requirements and taking into account the binding assessment.

Apart from that, avoidance of the realisation of profits by means of continuation of carrying amounts requires, among other things, that the Hive-Down Assets show a positive value according to fiscal carrying amounts on the Tax Transfer Effective Date (as the balance of assets and liabilities allocated to them) and in addition the fiscal carrying amounts do not exceed the fair market value (*gemeiner Wert*) of the Hive-Down Assets as aggregated assets. This creates a certain value range, within which the relevant values have to be on the Tax Transfer Effective Date to achieve a continuation of carrying amounts. Based on the allocation of assets and debts to the Hive-Down Assets and the

valuation made for these aggregated assets, the management boards of METRO AG and MWFS AG assume that this value range will not be deviated from. Besides, should fiscal carrying amounts, for example, be increased by field audits before the Tax Transfer Effective Date and should an exceeding of the fair market value (*gemeiner Wert*) of the aggregated assets become possible, there is also the option of making significant corrections with regard to assets with fiscally hidden burdens, in order to avoid an exceeding of the fair market value (*gemeiner Wert*). The decrease of fiscal carrying amounts below zero is rather unlikely in the view of the management boards of METRO AG and MWFS AG. Based on the existing valuation, the common values of the Hive-Down Assets are adequately stable in the opinion of the management boards of METRO AG and MWFS AG. Thus, on the whole any remaining risks that the value range could afterwards (particularly after a tax field audit) be exceeded either upwards or downwards are deemed to be, on the whole, acceptable.

METRO AG assumes that no burden by any value added tax will derive from the hive-down. Real estate transfer tax is expected to be incurred in the range of up to approximately EUR 200,000.

Due to the desired continuation of carrying amounts, the 1 percent share granted for the transfer of the Hive-Down Assets will be subject to a blocked period in terms of income tax (§ 22 para. 1 UmwStG). This will have the effect, among other things, that any disposals of this approximately 1 percent share within seven years from the Tax Transfer Effective Date will lead to a so-called contribution profit I (as the case may be, *pro rata* for only partial disposals). In simplified terms, this leads to a subsequent, retroactive taxation according to general rules of the hidden reserves of the Hive-Down Assets in the lower single-digit range of billions of euros existing at METRO AG on the Tax Transfer Effective Date. The taxable amount, however, is decreased after every full year by one seventh.

Besides the disposal of the share which is subject to a blocked period, there are also a number of other measures which may be harmful (so-called substitute realisation measures within the meaning of § 22 para. 1 sent. 6 UmwStG); this may among other things also include transformations of METRO AG or MWFS AG. In addition, certain obligations to provide proof have to be complied with. If such regulations are violated, this may also trigger a contribution profit with the consequences described above.

Finally, such contribution profit I may also be triggered by the fact that amounts are distributed out of the so-called 'tax contribution account' of MWFS AG attributable on a pro rata basis to the shares subject to a blocked period (§ 22 para. 1 sent. 6 no. 3 UmwStG). Ultimately, such distributions from the fiscal contribution account can only be made if a

company has no so-called distributable profit from a taxation perspective, which pursuant to the statutory provision (§ 27 para. 1 KStG) is deemed to be used with priority in the case of distributions. It is not possible to predict reliably from today's perspective from which one of the two divisions and in which amount or quota distributions will be deemed to have been contributed to at MWFS AG in the seven financial years after the demerger. To the extent that distributions are made from the contribution account, the relevant statutory provision (§ 22 para. 1 sent. 6 no. 3 UmwStG) raises a variety of issues with respect to its application which are partially still unresolved. Therefore, in practice the published statements of the Tax authorities stipulated in the so-called 'Transformation Tax Decree' of 11 November 2011 (no. 22.24) are of particular importance. According to these statements, any distribution considered to be made from the tax contribution account only triggers a contribution profit I (in whole or in part), if it exceeds the tax carrying amount of the shares subject to a blocked period, which means that the tax book value is first set off against such distributions and a contribution profit I is only triggered if – within a period of seven years (until 30 September 2023) – all of the distributions taken together exceed the tax carrying amount.

The above issue should only be relevant regarding the share of 1 percent held by METRO AG. Based on the present tax balance sheet as well as on the valuations conducted and the distribution of assets within the framework of the hive-down, it is expected that this share of 1 percent will have a tax carrying amount of approx. EUR 30 million. Therefore, in purely arithmetical terms, MWFS AG would have to distribute a total of more than EUR 3 billion (on average EUR 500 million on each dividend date (according to the schedule for MWFS AG, on six dividend dates after the envisaged stock exchange listing)) within the period of seven years (until 30 September 2023) which further would have to be made exclusively from the tax contribution account until – according to the current status quo pursuant to the decree – the distributions would have a detrimental effect. Thus, even if such "excessive distributions out of the contributions account" were made, the resulting tax liability amount is considered rather small from today's perspective (inter alia due to the reduction of the contribution profit I based on the lapse of time by one seventh in each year and due to the fact that the tax liability would even then – according to the view of the Tax authorities – only apply to the excessive distribution amount). Although modified legal provisions, changes with respect to the interpretation by the courts and possible alterations to the legal opinion expressed by the Tax authorities may have a (considerable) detrimental effect on the above risk assessment in the event that considerable distributions were actually to be made out of the tax contribution account, but from an overall perspective the related risk is considered by the management boards of METRO AG and MWFS AG to be rather low and thus acceptable, based on the legal opinion stated above and expressed by the Tax authorities.

If, contrary to the expectations of the management boards of METRO AG and MWFS AG, no continuation of carrying amounts occurs, the fiscal carrying amounts of the Hive-Down Assets will generally be increased correspondingly at the acquiring entity MWFS AG, to the level of the fair market value. This may again lead to a (possibly significant) tax relief for the future at MWFS AG. The same applies, if the continuation of carrying amounts is generally applicable, but a taxable contribution profit I were to occur (due to violations of the relevant disposal blockage or the substitute realisation measures) during the seven year blocked period. In this case the carrying amount increase may generally take place at MWFS AG upon request, up to the amount of the taxed contribution profit I. For the contractual risk allocation regarding such unexpected taxes between METRO AG and MWFS AG as well as for any sharing of counter-effects, see Section e) as well as in detail Sections XII.2.e) to j).

As was already described above (Section a)), these fiscal particularities only apply to the approximately 1 percent share of METRO AG created as a result of the hive-down, based on the valuation made and the value-congruent structure of the Hive-Down Assets in the view of METRO AG, which was based on such valuation, in relation to the existing value of MWFS AG as well as the Spin-Off Assets. Since a value congruence of the shares issued is assumed, the blocked period does not apply to the approximately 9 percent share of METRO AG in MWFS AG (which in this regard is generally freely fungible in fiscal terms), nor to the shares in MWFS AG in the amount of approximately 90 percent to be subsequently created through the spin-off, which are issued to the shareholders. If this value congruence did not exist, the other shares (besides the approximately 1 percent share) could also be subject to the blocked period and could through harmful utilisations in the course of the demerger or, as the case may be, during the following seven years lead to significant fiscal burdens at METRO AG. However, due to the valuations made by an audit company the management boards of METRO AG and MWFS AG assume that the value congruence exists.

(3) Spin-off

By way of the spin-off, METRO AG transfers those assets of the MWFS Business Division which are not allocated to the branch of activity for tax purposes that is already transferred by way of the hive-down. As regards the scope of the Spin-Off Assets, see Sections IV.2.c) and XII.1.m) (this concerns, in particular, the 100 percent interest of METRO AG in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, including the control and profit transfer agreement existing between the two companies).

In consideration of the spin-off the acquiring entity MWFS AG will issue new MWFS Shares, which represent approximately 90 percent of the capital stock of MWFS AG after the demerger and which will in total be granted to the shareholders of METRO AG.

For METRO AG the essential effects of the spin-off in terms of income tax derive from § 15 UmwStG. The Tax Transfer Effective Date within the meaning of § 2 para. 1 UmwStG for the spin-off is 30 September 2016, 12:00 p.m. At METRO AG and at MWFS AG income and assets are, therefore, to be determined in such manner as if the Spin-Off Assets of METRO AG had been transferred to MWFS AG upon the expiry of 30 September 2016 and immediately following the hive-down.

At the level of METRO AG the hidden reserves in the Spin-Off Assets are generally realised by utilisation of the fair market value (*gemeiner Wert*). On the one hand, the continuation of carrying amounts is unlikely due to the strict requirements of § 15 para. 2 UmwStG in this respect for spin-off parties which are listed on German stock exchanges, such as METRO AG and MWFS AG (requirement of the so-called disposal blockage following demerger under § 15 para. 2 sent. 2 to 4 UmwStG for share sales in the amount of 20 percent (derived by simplified accumulation), calculated on the basis of the value of METRO AG prior to the demerger, for five years following the spin-off). On the other hand, hidden reserves are, if any, only to be expected regarding the interest of METRO AG in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, which then again would be exempt from corporation and trading taxes at a rate of 95 percent (§ 8b paras. 2, 3 KStG). In this respect, no tax payment burdens are to be expected in the 2015/16 financial year due to the spin-off, either, in view of the current fiscal losses of METRO AG.

No violation of the blocked period regarding the approximately 1 percent share (see above, Section (2)) will occur due to the spin-off in the view of the management boards of METRO AG and MWFS AG. As the calculation of the shares to be issued of approximately 90 percent of the capital stock, particularly in proportion to the Hive-Down Assets, was made with congruent value based on the underlying valuations, this blocked period does not partially affect the new shares granted in consideration of the transfer of the Spin-Off Assets, either.

Pursuant to § 15 para. 3 UmwStG, offsetable losses, remaining losses carried forward, any negative income that has not been offset, any interest carried forward under § 4h para. 1 sentence 5 EStG and any EBITDA carried forward under § 4h para. 1 sentence 3 EStG of METRO AG are decreased in such proportion by which the assets of METRO AG are transferred to MWFS AG based on the fair market value (*gemeiner Wert*). The exact extent depends on the ratio between the fair market values (*gemeine*

Werte) of the Spin-Off Assets in proportion to the remaining CE Assets. In the case of an assumed value relation of e.g. 25 (remaining CE Assets) to 75 (Spin-Off Assets), 25 percent of both the specified losses and loss carryforwards would be maintained. Due to the amount of the currently existing fiscal losses carried forward by METRO AG, the latter assumes that even after the demerger such losses carried forward will remain in the range of hundreds of millions of euros and will continue to be usable at METRO AG after the demerger. The fiscal contribution account of METRO AG will be divided between METRO AG and MWFS AG pursuant to § 29 para. 3 sent. 2 KStG

In the common view of METRO AG and MWFS AG, the spin-off to MWFS AG will not trigger any real estate transfer tax or any value added tax.

c) Tax effects for MWFS AG

(1) Preparatory actions (pre-structuring)

On the level of MWFS AG, the pre-structuring does not have any essential fiscal effects. It acquires the assets transferred at the respective purchase price agreed and generally uses this value in its tax balance sheet. The acquisition of the approximately 92.9 percent limited partnership interest in METRO PROPERTIES GmbH & Co. KG by way of hidden contribution is recorded at MWFS AG at the fair value.

MWFS AG has corporation tax losses carried forward in an amount of approx. EUR 2.7 billion and trade tax losses carried forward in an amount of approx. EUR 2.9 billion. Due to the various transfers of the shares in MWFS AG (at the time still in the legal form of GmbH) in the course of pre-structuring, these losses carried forward are not eliminated pursuant to § 8c KStG, since (as was also confirmed by the binding assessment of the competent tax authority) the criteria of the so-called company group clause are fulfilled (§ 8c para. 1 sent. 5 KStG). For that matter, this also applies to the hive-down described below.

(2) Hive-down

MWFS AG will recognise the Hive-Down Assets in its tax balance sheet at their carrying amount (§ 20 para. 2 UmwStG). The relevant application will be submitted by MWFS AG. In this respect, MWFS AG assumes the fiscal status of METRO AG regarding the Hive-Down Assets.

In the event that due to violation of the blocked period under §22 para. 1 UmwStG hidden reserves in the Hive-Down Assets are disclosed retroactively or that a fiscally neutral continuation of carrying amounts is not possible, the value recognised at MWFS AG

would also be increased correspondingly by the amount of any contribution profit I subject to taxation at METRO AG. This could result in fiscal relief for the future. For the contractual risk allocation regarding such unexpected taxes between METRO AG and MWFS AG as well as for any sharing of counter-effects see Section e) as well as in more detail Sections XII.2.e) to j).

According to the common view of METRO AG and MWFS AG, the hive-down does not lead to any burden of value added or real property transfer tax at the level of MWFS AG.

(3) Spin-off

At the level of MWFS AG the fiscal balance sheet recognition regarding the Spin-Off Assets is based on the fair market value (*gemeiner Wert*) (§ 15 para. 1 sent. 1 in conjunction with § 12 para. 1 UmwStG). Regarding the acquired assets MWFS AG assumes the fiscal status of METRO AG (§ 15 para. 1 sent. 1 in connection with § 12 para. 3 sent. 1 UmwStG). Regarding the splitting up of the fiscal contribution account of METRO AG between METRO AG and MWFS AG the statements in Section b)(3) apply.

In the common view of the management boards of METRO AG and MWFS AG, the spin-off does not trigger any real estate transfer tax or any value added tax at the level of MWFS AG.

By virtue of the demerger, the previous shareholders of METRO AG directly acquire approximately 90 percent of the shares in MWFS AG. This could, in principle, lead to a complete or partial loss (among other things) of the fiscal losses carried forward by MWFS AG pursuant to § 8c KStG. This would require that by way of the demerger more than 25 percent of the capital stock of MWFS AG are transferred to an acquirer (in this case, it would be a partial loss); in case of an acquisition of more than 50 percent even all fiscal losses carried forward could be eliminated. "An acquirer" in this sense could also mean several acquirers with similar interests. Due to the shareholding structure this would require that the acquisitions of the three main shareholders were combined for fiscal purposes due to similar interests (any detrimental assumption of such required "similar interests" on the part of the free float shareholders seems unlikely). Since the previously existing pool agreements between the main shareholders have in the meantime been terminated, the management boards of METRO AG and MWFS AG do not assume that any fiscally relevant "similar interest" within the meaning of § 8c KStG still exists between the main shareholders. Thus, in the common view of the management boards of METRO AG and MWFS AG, it is generally to be assumed that the fiscal losses carried forward by MWFS AG will not be eliminated by the demerger, either.

d) Tax effects for the shareholders

A comprehensive or final presentation of all possible fiscal aspects for each individual METRO shareholder is not possible, since such aspects vary depending on the individual tax situation. The following presentation cannot replace tax consultation of each individual shareholder, either. Thus, shareholders should consult their tax advisor regarding the individual fiscal effects of the spin-off.

Apart from that, no formal arrangements regarding fiscal effects of the spin-off for the shareholders could be made within the scope of the binding assessment obtained by METRO AG and MWFS AG. A binding assessment may in general only be requested by the relevant taxable person itself and may only be provided to such person by the competent tax authority. Obtaining a binding assessment by METRO AG for the shareholders was therefore not possible due to legal and factual reasons.

The following presentation relies on currently applicable German tax law and its interpretation by courts and administrative orders. Fiscal provisions are subject to change – under certain circumstances even retroactively. In addition, it cannot be ruled out that tax authorities or any courts may arrive at a different assessment than the one presented in this Section.

Fiscal effects under foreign jurisdictions as well as possibly applicable double taxation conventions, particularly effects of transactions taxable abroad, will not be examined below.

The fiscal effects of the spin-off for the METRO shareholders taxable in Germany derive from the provisions of § 15 para. 1 in conjunction with § 13 UmwStG as well as § 20 para. 4a EStG. The preceding hive-down does not have any fiscal effects for the METRO shareholders.

(1) Fiscal effects for shares held as business assets

General rule: deemed taxable disposal

In the case of METRO Shares held as business assets, the tax consequences for the shareholders derive from § 15 in conjunction with § 13 UmwStG. According to these provisions, the shares in the transferring entity (METRO AG) are deemed to have been disposed of *pro rata* at their fair market value (*gemeiner Wert*), and the shares in the acquiring entity (MWFS AG) replacing them are deemed to have been acquired at this (*pro rata*) value, § 13 para. 1 UmwStG. The resulting profit or loss equals the difference between the *pro rata* carrying amount and the *pro rata* common value of the METRO

Shares at the time of entry of the spin-off in the commercial register of METRO AG. The common value of the METRO Shares generally derives from the stock exchange price of the METRO Share (for the breakdown of fiscal carrying amounts of the METRO Shares to the METRO Shares, on the one hand, and the MWFS Shares, on the other, see below).

The afore-mentioned statutory regulations presume a disposal transaction of the shareholder, which is subject to general fiscal regulations of profit (or loss) taxation in case of the disposal of shares. In the event of a capital gain, taxation depends on whether the shareholder is a corporation, an individual entrepreneur or a commercial partnership.

The MWFS Shares to be granted to the METRO shareholders in consideration of the spin-off are fiscally deemed to have been newly acquired. Thus, in this case the fiscal characteristics of the METRO Shares held by each individual shareholder (e.g. holding times, latent value recovery obligations) are not transferred to the newly granted shares in MWFS AG (no application of the so-called "footstep theory").

When appropriate, fiscally neutral continuation of carrying amounts

In contrast and subject to the requirements of § 15 para. 1 sent. 2 in conjunction with § 13 para. 2 UmwStG, the continuation of carrying amounts is possible, if a respective application is submitted by the individual shareholder. Notwithstanding the above principle, in that case there would be no *pro rata* disposal at fair market value (*gemeiner Wert*), with the consequence that upon the spin-off taking effect no (taxable) capital gain would be realised.

It is a requirement for the applicability of a continuation of carrying amounts under § 13 para. 2 UmwStG, among other things, that both the Spin-Off Assets and the CE Assets remaining with METRO AG each constitute a branch of activity for tax purposes within the meaning of § 15 para. 1 sent. 2 UmwStG (so-called double branch of activity requirement). The competent tax authority has informed METRO AG in the course of the clarification of tax law issues for METRO AG, MWFS AG and other METRO companies by way of a binding assessment that the intended spin-off of the 100 percent share in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH from METRO AG to MWFS AG constitutes a so-called deemed branch of activity and that the remaining CE Assets also constitute a branch of activity (i.e. the double branch of activity requirement is in principle fulfilled, subject to the fiscally necessary correct asset allocation in the course of the spin-off procedure). Against this background, in the view of the management boards of METRO AG and MWFS AG the shareholders should – upon application to be submitted by the relevant shareholder – be able in deviation from the principle

described above, to recognise the MWFS Shares at the *pro rata* carrying amount of the METRO Shares, provided that the remaining requirements of § 13 para. 2 UmwStG are also met, i.e. in particular if the right of the Federal Republic of Germany is not excluded or limited regarding the taxation of profits from the disposal of shares in MWFS AG. However, the tax authority that is competent for the shareholder is not formally bound by the assessment provided to METRO AG, but may independently review the requirements of a continuation of carrying amounts again for the relevant shareholder.

The request for continuation of the carrying amounts pursuant to § 13 para. 2 UmwStG must be submitted by the relevant shareholder to the tax authority competent for such shareholder. The request does not require any specific form, may not be conditional and must be irrevocable. No specific time limit is provided for submission of this request by law. No statement of fiscal administration has been published at the time of submission of such application. In the view of METRO AG it is advisable that all METRO shareholders intending to submit an application for continuation of carrying amounts submit such application shortly upon the spin-off taking effect.

In the case of § 13 para. 2 UmwStG the MWFS Shares replace the METRO Shares proportionately for tax purposes (so-called "footstep theory"). This means that certain fiscal characteristics of the shares or, as the case may be, of the shareholding in METRO AG are transferred to MWFS Shares and thereby continue to exist.

Allocation of acquisition costs

Due to the spin-off the acquisition costs or, as the case may be, carrying amounts for the METRO Shares have to be allocated between the METRO Shares after the spin-off, on the one hand, and the new MWFS Shares, on the other hand. This allocation is, for example, relevant for determining future profits or losses from the disposal of the relevant METRO Shares or, as the case may be, MWFS Shares. According to the tax authorities, this allocation may, in principle, be based on the allocation ratio of the shares in the Demerger Agreement (see no. 15.43 of the letter of the Federal Ministry of Finance dated 11 November 2011, so-called "**Transformation Tax Decree**", regarding the application of § 13 UmwStG in the case of a spin-off, Federal Tax Gazette (*Bundessteuerblatt – BStBl.*) I 2011, 1314). In the present case, the METRO shareholders receive one MWFS share for each METRO share. Accordingly, previous acquisition costs of METRO Shares would have to be allocated 50:50 to METRO Shares and to MWFS Shares.

It is, however, not clear whether any other ratio (e.g. the ratio of fair market values (*gemeine Werte*) of METRO AG before the demerger and of MWFS AG after the demerger)

would be a preferable standard for the allocation of acquisition costs or carrying amounts, respectively.

Obtaining a binding assessment from all tax authorities competent for every individual shareholder regarding the issue of the applicable standard under tax law for the allocation of the acquisition costs or carrying amounts of the shareholder, respectively, was not possible due to legal and factual reasons, neither for METRO AG nor for MWFS AG.

The relevant custodian financial or credit institution will generally not withhold any dividend withholding tax for the disposal transaction that is deemed to exist for tax purposes. If, nevertheless, dividend withholding tax were to be withheld and paid, offsetting or reimbursement of any dividend withholding tax paid in the course of the tax assessment of the relevant shareholder is in principle possible for shareholders who are subject to taxation in Germany. It cannot be ruled out, either, that tax authorities may demand dividend withholding tax from the relevant shareholder at a later date. Against this background, METRO shareholders should already prior to the spin-off taking effect review the requirements for any possible avoidance of the dividend withholding tax deduction and arrange for relevant notifications to be sent to the custodian financial or credit institution (e.g. by issuing declarations to the custodian bank).

Note regarding the utilisation of tax equity capital in the case of future dividends (applies also to shares held as private assets)

In simplified terms, for the shareholders future distributions of MWFS AG will be subject to the general provisions for the taxation of dividends (which are different, e.g. depending on whether the shareholder is subject to corporation tax or subject to income tax and, as the case may be, the amount of the company interest held), if from a taxation perspective they are not funded from the so-called fiscal contribution account, but in particular from the so-called distributable profits (which pursuant to the statutory provision in § 27 para. 1 KStG are deemed to have been used with priority in the case of distributions). Distributions that are deemed to have been funded from the fiscal contribution account are generally not subject to taxation (and do not trigger dividend withholding tax either), but generally reduce the book value of the interests on which the distribution was made for tax purposes. It is not possible to predict reliably from today's perspective from which one of the two divisions and in which amount or quota distributions will be deemed to have been contributed to at MWFS AG in the future financial years after the demerger.

This applies irrespective of whether the relevant shares are held as business assets or as private assets.

(2) Tax effects for shares held as private assets

Shareholders within the meaning of § 17 EStG

The provision of § 13 UmwStG and, correspondingly, the explanations under Section (1) on the allocation of acquisition costs for shares also apply to shares held as private assets within the meaning of § 17 EStG. Within this meaning, such 'shares' exist, if any shareholder or, in case of legal succession without consideration, any of such shareholder's predecessors in title directly or indirectly held an interest in the capital of METRO AG of at least 1 percent during the last five years before the spin-off (shareholder within the meaning of § 17 EStG).

Thus, in this case again a disposal transaction is deemed to exist, which is subject to the general statutory regulations on profit taxation in case of a disposal of shares. If any individual shareholder submits a request for continuation of his/her acquisition costs, in deviation from the principle described above the METRO Shares will not be deemed to have been disposed of *pro rata* at fair market value (*gemeiner Wert*). Consequently, no (taxable) capital gain is realised. In this case, the MWFS Shares proportionately replace the METRO Shares for tax purposes (so-called "footstep theory").

The relevant custodian financial or credit institution will generally not withhold any dividend withholding tax for the disposal transaction that is deemed to exist for tax purposes. In all other respects, too, the explanations under Section (1) regarding dividend withholding tax deduction apply accordingly.

Shareholders within the meaning of § 20 EStG

To the extent that METRO Shares are part of private assets and the shareholder or, in case of legal succession without consideration, any of such shareholder's predecessor in title did not during the last five years hold an interest of at least 1 percent in METRO AG (shareholders within the meaning of § 20 EStG), the spin-off is conducted in a fiscally neutral manner, i.e. without any taxable capital gains being realised, provided in particular that the right of the Federal Republic of Germany is not excluded or limited regarding the taxation of profits from the disposal of shares in MWFS AG (§ 20 para. 4a sent. 7 EStG). Consequently, no dividend withholding tax is to be withheld or paid.

The MWFS Shares granted to the METRO shareholders at the time of the spin-off proportionately replace the METRO Shares pursuant to § 20 para. 4a sent. 7 EStG, i.e. the spin-off does not lead to any realisation of profits or losses from the METRO Shares, but is mandatorily made in a fiscally neutral manner at acquisition costs. There is no requirement for the submission of any application for the continuation of acquisition costs.

In the view of fiscal administration (see no. 101 of the letter of the Federal Ministry of Finance dated 18 January 2016, regarding § 20 para. 4a EStG, BStBl. I 2016, 85), the allocation of the acquisition costs to METRO Shares and MWFS Shares is generally to be based on the allocation ratio set forth in the Demerger Agreement. In the present case, the METRO shareholders receive one MWFS share for each METRO share. Accordingly, previous acquisition costs of METRO Shares would have to be allocated 50:50 to the METRO Shares and the MWFS Shares. Since this allocation does not consider the stock market value of the shares, the acquisition costs thus determined may not accurately reflect the *pro rata* proportionate value of the shares. This could possibly lead to detrimental fiscal consequences for the shareholders in case of any subsequent disposals. In the assessment of the management boards of METRO AG and MWFS AG, it is unclear whether instead of this in the present case the use of stock market prices for shares held as private assets, as described in Section (1), is admissible under tax law and may be applied accordingly by the relevant shareholders in the course of their individual tax assessments. Obtaining a binding assessment from all tax authorities competent for every individual shareholder regarding this issue was not possible due to legal and factual reasons, neither for METRO AG nor for MWFS AG.

To the extent that METRO Shares were acquired prior to 1 January 2009 and thus could be disposed of tax-free in the meantime due to the expiry of the previously applicable so-called "speculative period", this characteristic should, based on the letter of the Federal Ministry of Finance dated 18 January 2016 regarding § 20 para. 4a EStG (no. 100), be transferred to the MWFS Shares granted in the course of the spin-off. In the assessment of the management boards of METRO AG and MWFS AG, this letter also applies to the relevant provision of § 20 para. 4a sent. 7 EStG, which extends the scope of application of § 20 para. 4a sent. 1 EStG to spin-offs (see also no. 115 of the letter of the Federal Ministry of Finance of 18 January 2016 regarding § 20 para. 4a EStG, BStBl. I 2016, 85).

Further cases:

To the extent that METRO shareholders are not residents of Germany for tax purposes (non-resident tax payers) and the shares are taxable in Germany (for example in case they belong to a German branch office of the non-resident tax payer), the principles described above under Section (1) apply accordingly.

e) Contractual provisions regarding taxation

METRO AG and MWFS AG have agreed in the Demerger Agreement (including the Group Separation Agreement) on provisions regarding the allocation of tax receivables, tax liabilities and tax provisions as well as any possible tax risks. These provisions will

be described in detail in Sections XII.2.e) to j). By way of summary, the following essential rules apply:

Taxes for periods after the Tax Transfer Effective Date (30 September 2016) are borne by the Party whose business division they are to be allocated to according to the provisions of the Demerger Agreement. Taxes for periods up to such effective date are generally borne by MWFS AG, except for such taxes as are clearly and directly attributable to the CE Business Division.

Taxes arising from the hive-down and spin-off as well as the pre-structuring measures (so-called transaction taxes) are borne by MWFS AG, provided and to the extent that they are expected by the Parties from today's perspective (so-called calculated transaction taxes). To the extent that any unexpected transaction taxes arise, these would generally be borne by MWFS AG at a rate of 75 percent and by METRO AG at a rate of 25 percent. This does not apply in certain cases set forth in the Demerger Agreement if and to the extent that such taxes are caused by one Party (which is possible e.g. in connection with the future causation of a contribution profit I). In this case these taxes are to be borne by the responsible Party in accordance with such Party's causal contribution. If by any transaction, which triggers taxes requiring compensation/allocation, at the same time any positive fiscal counter-effects in the form of actual reductions of future tax payments were caused, these will generally be allocated between the parties in the same ratio according to which they made the underlying tax payment.

3. Other effects of the demerger

a) Protection of creditors and owners of special rights

The taking effect of the hive-down and spin-off will have the following effects on the liability of METRO AG and MWFS AG:

Pursuant to § 133 para. 1 and para. 3 UmwG, METRO AG is jointly and severally liable for the fulfilment of liabilities which are transferred to MWFS AG in the course of the hive-down, if they become due within five years from the announcement of the entry of the hive-down in the commercial register of METRO AG and based on them any claims are awarded against METRO AG by a court of law or in any other manner described in § 133 UmwG.

Pursuant to § 133 para. 1 and para. 3 UmwG, MWFS AG is jointly and severally liable, *vice versa*, for the settlement of liabilities remaining with METRO AG which arise prior to the hive-down taking effect, if they become due within five years from the announcement

of the entry of the hive-down in the commercial register of METRO AG and based on them any claims are awarded against MWFS AG by a court of law or in any other manner described in § 133 UmwG.

For pension liabilities under the German Company Pensions Act (*Betriebsrentengesetz*) the afore-mentioned time limit of five years is extended to ten years. This only applies to pension liabilities which exist at the level of METRO AG, but not to pension liabilities at the level of the subsidiary METRO Kaufhaus und Fachmarkt Holding GmbH, which remains with METRO AG. In this respect, there might at most exist a five-year joint liability of MWFS AG under the control and profit transfer agreement existing between METRO AG and METRO Kaufhaus und Fachmarkt Holding GmbH, to the extent that any loss compensation obligation of METRO AG exists.

The same applies, in principle, to the liabilities transferred in the course of the spin-off, which remain with METRO AG.

Regarding the special rights existing at METRO AG under preference shares, METRO AG and MWFS AG are liable as joint and several debtors within the scope of the spin-off pursuant to § 133 para. 2 UmwG for the fulfilment of the obligation to grant equal rights pursuant to § 125 sent. 1 in conjunction with § 23 UmwG (see also Section VI.2.). Internally between the two companies, pursuant to the Demerger Agreement the fulfilment of the obligations under § 125 sent. 1 in conjunction with § 23 UmwG is incumbent on MWFS AG, to the extent the features of the MWFS AG Preference Shares are concerned. METRO AG is obliged to fulfil these obligations, to the extent that they concern the features of the METRO AG Preference Shares.

Pursuant to § 125 sent. 1 in conjunction with § 22 UmwG, creditors of METRO AG and MWFS AG may within a time limit of six months from the announcement of the entry of the hive-down or spin-off in the commercial register of METRO AG or MWFS AG, respectively, demand security for their claims from the company against which their respective claims are asserted. The prerequisite is that the creditors cannot obtain satisfaction at the relevant time and file their claims in terms of reason and amount in writing and show probable cause that the fulfilment of their claims is at risk due to the hive-down or spin-off, respectively. The management boards of METRO AG and MWFS AG assume that by the taking effect of neither the hive-down nor the spin-off the claims of the creditors of METRO AG or MWFS AG will be jeopardised and that, thus, no obligation for the provision of any security by METRO AG or MWFS AG under § 125 sent. 1 in conjunction with § 22 UmwG will exist.

Pursuant to the UmwG (§ 133 para. 1 sent. 2 UmwG), any liability pursuant to the provisions of the Commercial Code will remain unaffected in the event that a business is carried on (§ 25 et seq. HGB).

With respect to the above-mentioned instances of joint liability pursuant to the Demerger Agreement (cf. Section XII.1.u)) and the Group Separation Agreement (cf. Section XII.2.c)), METRO AG and MWFS AG agreed on mutual indemnity. In view of the capital and funding of both enterprises, in the view of the management boards of METRO AG and MWFS AG the reciprocal claims for indemnification are of value.

b) Effects of the demerger on the shares of METRO AG and of METRO Wholesale & Food Services AG

Neither the hive-down nor the spin-off will have any effects on the stock market listing of the METRO AG Shares. After the spin-off taking effect, the METRO Shares will continue to be admitted for trading on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard) as well as on the Düsseldorf Stock Exchange and to be included in OTC trading on the stock exchanges of Berlin, Hamburg, Hanover, Munich and Stuttgart as well as on the Tradegate Exchange. On the first trading day of the MWFS AG Shares, which will be shortly after the date of the hive-down taking effect, the METRO AG Shares will be traded "ex MWFS". This will result in a corresponding change in the stock price. The management board of METRO AG assumes that the METRO Share will continue to meet the requirements of the MDAX and will thus remain in the MDAX. Furthermore, it is assumed that the MWFS share will upon the spin-off taking effect be admitted to the MDAX at the next possible date during the year 2017.

c) Effects of the demerger on the shareholders of METRO AG and of METRO Wholesale & Food Specialist AG

Upon the spin-off taking effect, all shareholders of METRO AG will continue to hold an interest in METRO AG, and thus in the remaining economic activities of the METRO Group, to the same extent as before. The number of shares issued by METRO AG will not be modified, neither by the hive-down nor by the spin-off. The rights of the shareholders of METRO AG will not be modified either, neither by the hive-down nor by the spin-off. The rights attaching to METRO Preference Shares will remain unchanged. The shareholder structure of METRO AG will not be directly modified by the spin-off, either.

All shareholders of METRO AG will receive MWFS Shares in consideration of the transfer of the Spin-Off Assets in accordance with the allocation ratio and preserving the existing proportions (with respect to the shareholder structure of MWFS AG following the

demerger, cf. Section VIII.3.a)). For every METRO Ordinary Share one MWFS Ordinary Share and for every METRO Preference Share one MWFS Preference Share will be granted (with regard to the rights attaching to the MWFS Preference Share see Section VI.2.). This way they will hold a direct interest in the MWFS Business Division rather than only holding an indirect interest via their interest in METRO AG as before. In relation to the entire capital stock of MWFS AG, the proportionate holding of each METRO shareholder in MWFS AG compared to such shareholder's holding in METRO AG is less by 10 percent due to the (direct or indirect) company interest held by METRO AG. This may result in certain shareholder rights, which could be exercised at METRO AG based on the interest held, no longer being available for exercise at MWFS AG.

METRO AG, currently the indirect sole shareholder of MWFS AG, will only hold a (direct and indirect) interest in MWFS AG of approx. 10 per cent following the hive-down and spin-off. Due to the interest held by the three main shareholders of METRO AG, METRO AG will no longer have an entrepreneurial influence on MWFS AG and will only be entitled to certain statutory rights.

The amount of future dividends depends on the relevant dividend policy of each of the two companies. The right to receive a fixed extra dividend of EUR 0.06 for preference shares only exists at METRO AG, not at MWFS AG. The question whether MWFS AG will pay any extra dividend in the future depends on the future development of MWFS AG and its dividend policy. Based on an overall view of the dividends paid to the holders of preference shares of METRO AG and MWFS AG, no changes should derive for METRO shareholders on the basis of the dividend payments in recent financial years (with regard to equivalence see in detail Section VI.2.).

d) Effects on external financing of METRO AG and of METRO Wholesale & Food Specialist AG

As part of the Hive-Down Assets the entire external financing of METRO AG existing at the Relevant Demerger Date will be transferred to MWFS AG by operation of law. Similarly, the shares in METRO Finance B.V. held by METRO AG will be transferred to MWFS AG as part of the Hive-Down Assets.

On the Relevant Hive-Down Date the external financing of METRO GROUP is essentially based on two syndicated credit facilities, bonded loans, bilateral credits and bonds:

- Under two credit agreements concluded with international banking consortia, METRO AG has two syndicated, revolving credit facilities in the amount of EUR 1,000,000,000 with a term ending on 17 January 2019, and in the amount

of EUR 1,525,000,00 with a term ending on 30 April 2021. Both credit facilities serve METRO AG as liquidity reserve and have not been utilised so far. Furthermore, METRO AG has received via Bayerische Landesbank seven bilateral subsidised loans of the Kreditanstalt für Wiederaufbau, where outstanding amounts on the Relevant Hive-Down Date correspond to EUR 1,201,790.88 in total and the terms of which are ending on 30 December 2016 or 30 June 2017, respectively.

- Furthermore, via Bayerische Landesbank acting as agent METRO AG has taken up three bonded loans where the outstanding overall amount on the Relevant Hive-Down Date amounts to EUR 66,000,000.
- Under a Debt Issuance Programme with a maximum admissible issue volume of EUR 6,000,000,000 METRO AG has issued six bonds with a total issue volume on the Relevant Demerger Date of EUR 1,751,000,00, becoming due between 13 February 2018 and 9 August 2027. Besides, METRO Finance B.V., a wholly-owned subsidiary of METRO AG, has issued under the same Programme five bonds with a total issue volume on the Relevant Demerger Date of EUR 1,371,700,000, becoming due between 22 February 2017 and 11 July 2022. For these bonds issued by METRO Finance B.V., METRO AG is liable as guarantor.

Furthermore, there is a Commercial Paper Programme under German law with a maximum admissible issue volume of EUR 2,000,000,000, of which no issuance is outstanding on the Relevant Hive-Down Date. Under a Commercial Paper Programme under French law with a maximum admissible issue volume of EUR 2,000,000,000 there is no issuance outstanding on the Relevant Demerger Date, either.

All liabilities and rights arising from syndicated credit facilities, bonded loans, bilateral credits, the bonds issued under the Debt Issuance Programme as well as the German Commercial Paper Programme are transferred to MWFS AG. Under the UmwG, the consent of third parties is not required for such transfer. The same applies to the guarantees provided as security for the bonds issued by METRO Finance B.V.

Only the Commercial Paper Programme under French law remains with METRO AG. In this respect, METRO AG and MWFS AG have agreed in the Demerger Agreement that METRO AG will continue this programme, until the hive-down takes effect, on behalf of and as instructed by MWFS AG at the expense of the latter. Accordingly, METRO AG will, upon instruction by MWFS AG, if necessary, issue further bonds under the French Commercial Paper Programme and will forward the resulting proceeds to MWFS AG. In

turn, MWFS AG will discharge METRO AG of any liabilities under or in connection with the French Commercial Paper Programme. METRO AG will receive a customary market remuneration for said continuation.

The previous investment grade rating of METRO GROUP will not automatically continue to exist due to the demerger of METRO GROUP, but will be cancelled.

(1) Future financing of METRO AG after the demerger

After the demerger, METRO AG and the CE Business Division will still have sufficient access to all relevant sources of liquidity. The goal is to conclude a credit agreement on a revolving credit facility in an amount of EUR 500,000,000 with an international banking consortium and, along with bilateral credits, to have available a total credit limit of EUR 1,000,000,000. Furthermore, METRO AG will continue to be able to take up funds on the bond market and the debenture market at any time.

The banks selected and approached by METRO AG revolving credit facility have expressed their willingness to provide financing by a legally non-binding support letter. In view of this, the management board of METRO AG is confident that the credit agreement will be concluded already before the general meeting of METRO AG on 6 February 2017.

The management board of METRO AG endeavours for METRO AG, upon demerger of the METRO GROUP, to meet the requirements for an investment grade rating, so as to continue to be able to obtain the best possible financing terms. Compared to the previous terms of financing of METRO AG before the demerger of METRO GROUP, these terms will presumably be less favourable in economic terms. However, it should be considered in this respect that the CE Business Division is mainly financed by supplier liabilities.

(2) Future financing of METRO Wholesale & Food Specialist AG after the demerger

After the demerger, MWFS AG will continue to maintain the financing instruments transferred to it. Both syndicated credit agreements are transferred to MWFS AG and will be amicably adjusted and confirmed against the background of the hive-down and spin-off. In this respect, it is intended that the relevant banking consortia consent to the measures under the Demerger Agreement. The objective is to agree with the international banking consortium, which has been in existence for many years, on a total credit volume comprising both syndicated credits and bilateral credits in the amount of EUR 2,000,000,000 in total. The allocation of the individual credit volumes of the syndicated and bilateral

credits will be amicably determined together with the selected banks. These long-term credit facilities – which have not yet been drawn – serve as liquidity reserve.

The amendment and confirmation agreements have already been provided to the relevant banking consortia. The negotiations in this regard have advanced and are to be finalised in January 2017.

The banks selected and approached by MWFS AG for the revolving credit facility have expressed their willingness to continue providing financing by means of a legally non-binding support letter. Against this background, the management board of MWFS AG is confident that the amendment and confirmation agreements will be concluded already prior to the general meeting of METRO AG on 6 February 2017.

The management board of METRO AG and the management board of MWFS AG endeavour that after the splitting up of METRO GROUP MWFS AG will meet the requirements for an investment grade rating, so as to essentially have access to all financing resources on the previous terms of METRO AG.

e) Effects of the demerger for the management board and the supervisory board of METRO AG and METRO Wholesale & Food Specialist AG

The demerger will lead to personal changes within the management board and the supervisory board of both entities, which are further described for MWFS AG in Sections VIII.3.d) and VIII.3.e) and for METRO AG in Sections IX.3.d) and IX.3.e).

f) Effects of the demerger on remuneration and employee incentive programmes

At the time of the spin-off taking effect, the tranches 2014/15 (the performance period expires 40 stock exchange trading days after the annual general meeting of 2018) and 2015/16 (the performance period expires 40 stock exchange trading days after the annual general meeting 2020) of the SPP 2014 will not have ended and been settled as planned, yet. If the spin-off takes effect during the first half of 2017, this possibly applies also to the 2013/14 tranche of the SPP (the performance period for the component based on the shareholder return expires 40 stock exchange trading days after the annual general meeting of 2017) as well as the 2013 tranche of the PSP (the last date for exercising is 1 July 2017) (with regard to the various LTI Programmes see Section II.2.f)).

As a consequence of the spin-off, the MWFS Business Division will be transferred to MWFS AG and MWFS AG will leave the METRO Group. An unchanged application of the components for the measurement of success (Key Performance Indicators, "KPI"s) specified in the relevant plan rules would not be appropriate. The affected LTI tranches

are based on KPIs relating to METRO GROUP in its current composition, for example the sustainability, the earnings per METRO Ordinary Share, the shareholder return per METRO Ordinary Share or the relative development of the share price.

Therefore, the LTI Programmes are in part to be wound up and in part to be adjusted to the new situation. For the SPP 2013/14 tranche, a settlement at the fair value will be conducted – provided that this tranche is not yet terminated at the point in time of the spin-off taking effect. For the PSP 2013 tranche, the date of the spin-off taking effect will be deemed the final time of exercise – provided that the last exercise date for this tranche (1 July 2017) has not yet occurred at the point in time of the spin-off taking effect.

With regard to the two tranches of the SPP 2014 that still have a longer running term, a distinction is made between rights that have vested and those that have not vested at the point in time of the spin-off taking effect. These tranches have "vested" to such extent as their respective performance period has already expired at the point in time of the spin-off taking effect. By way of an analogy to the settlement arrangements provided for in the plan rules in the event of a delisting and of a change of control, for the already vested parts of the tranches of the SPP 2014 a payment of the fair value will be made in cash on a *pro rata temporis* basis, i.e. in proportion of the completed period of time of the respective performance period to the overall duration in the respective performance period. For the still continuing tranches the fair value is determined as per the date of the spin-off taking effect by external experts in accordance with accepted methods of financial mathematics.

Assuming that the spin-off takes effect on 31 March 2017, the management boards of METRO AG and MWFS AG estimate on the basis of the currently presented valuation expert report that the total burden for the settlement of the tranches, i.e. for the management board members and the other executives, will amount to approximately EUR 47 million. Of this amount, approximately EUR 7.4 million are attributable to METRO AG as transferring entity and approximately EUR 39.6 million to MWFS AG as acquiring entity. The amount of the pay-outs mainly depends on the development of the relevant KPIs until the taking effect of the spin-off and may therefore deviate from the amounts stated above.

Those parts of the 2014/15 and the 2015/16 tranches of the SPP 2014 which at the point in time of the spin-off taking effect have not yet vested will be transferred to a new LTI Programme of the respective company, i.e. of METRO AG or MWFS AG, respectively. The transfer will be made at the corresponding, *pro rata temporis* target amount. In this respect, those parts of the target values that were already granted by METRO AG, but

have not vested until the spin-off taking effect, will be granted anew by METRO AG (CE Business Division) or MWFS AG (MWFS Business Division), respectively, with a reference to other key indicators (hereinafter the "**LTI-Roll Over**").

For the 2014/15 tranche of the SPP 2014, the LTI-Roll Over is to provide for the return on capital employed (RoCE) as KPI and is to end in 2018 in both enterprises in accordance with the existing tranche. For the 2015/16 tranche of the SPP 2014, the LTI-Roll Over provides for the earnings per share (EPS) as KPI. Since in the future the performance period is intended to be a uniform three years, the tranche will end in both enterprises already 40 stock exchange trading days after the respective annual general meeting of shareholders in 2019, instead of 2020 as provided under the previous conditions.

The tranches of the MCC LTI will survive the date of the spin-off taking effect. However, they exclusively relate to the sales line METRO Cash & Carry and can be maintained in the MWFS Group after the spin-off without any modification.

VIII. MWFS Group after the spin-off

1. Business activities of MWFS Group after the spin-off

After the spin-off taking effect, MWFS Group will have two main business segments, METRO Cash & Carry and Real. Besides this, there are cross-divisional service companies which support both main businesses in their operative activity through services (e.g. METRO Properties, METRO Systems, METRO Logistics). Therefore, future financial reporting will be done in three segments.

In the following, the strategic focus of the two business segments METRO Cash & Carry and Real are explained in more detail. (cf. Sections II.4.a) and II.4.b) for a general description of the business activities as well as an overview of major financial indicators).

METRO Cash & Carry

The METRO Cash & Carry segment (in future: METRO Wholesale) consists of a total of 28 operative companies, thereof 25 local wholesale companies and three supply specialists (Classic Fine Foods, Rungis Express as well as Pro á Pro after completion of the transaction). Altogether, the division operates in 25 countries (including the new acquisitions, Classic Fine Foods and Rungis Express, in 35 countries). The activities in Europe form a focus, but the division also has a presence in Asia.

All the underlying local markets have very attractive growth prospects. A major driver for growth in Europe are the growing trends to consume outside the home as well as towards convenience. In Asia, a sustainable high growth is driven by the general economy as well as growing wealth.

METRO Cash & Carry is excellently positioned in its markets, on the one hand, through the leading role in self-service wholesaling (also Cash & Carry wholesale), and on the other hand, also through the growing presence in the delivery business (also Food Service Distribution, or FSD).

The strategy of METRO Cash & Carry is based on three major cornerstones:

- Focus on loyal, attractive commercial customers;
- a de-centralised "operating model";
- a clear strategy along five value drivers.

Focus on loyal, attractive commercial customers

Target customers of METRO Cash & Carry are commercial customers from the segments HoReCa (focus on hotels, restaurants and caterers), traders (focus on independent re-sellers such as kiosk operators, bakeries and butchers) as well as other self-employed entrepreneurs and freelancers from the service and office areas (to be used synonymously with "Service Companies and Offices" or the abbreviation "SCO").

These target customers are especially attractive from a commercial point of view. In comparison to private consumers, they show very high sales *per capita* and distinguish themselves by a particularly stable demand. The product focus is food, in particular, ultra-fresh but also dry and freezer products. The range is completed by a limited non-food range customised to the needs of the target customers (such as office supplies or catering equipment and supplies).

A long-term, stable and trusting cooperation is pursued with the target customers. Thereby, the business success of the customer is emphasised. Thus, the guiding principle for METRO Cash & Carry is "Champion for Independent Business". This is based on the concept of understanding customer demands, adjusting offers according to demand and creating outstanding customer experiences. METRO Cash & Carry uses the data from the METRO customer card for this, which offers great transparency about customer behaviour. This results in higher customer utilisation, customer loyalty, recommendations

as well as resulting acquisition of new customers. In return, this will lead to growth and sustainability of the business with the target customers.

De-centralised "Operating Model"

The operative companies of the Group work in accordance with a de-centralised "operating Model" introduced in the 2014/2015 financial year. The core of this model is the de-centralised management of the national companies. Each wholesale company decides independently about their business activity and local strategy.

Thereby, the companies aim at the added value for their respective customers. They build on their detailed customer understanding and adjust the product range of METRO Cash & Carry for the areas of self-service wholesaling and supply according to demand.

The cornerstones for the local strategies are determined in a strategic and financial business plan closely coordinated with the management holding – the so-called "Value Creation Plan". The management of the operative companies is provided with incentives via target achievement of these plans. The streamlined management holding supports the preparation of the "Value Creation Plans", it authorises them and supports as well as controls their implementation. Furthermore, the management holding decides – based on an "Active Ownership" approach – on the allocation of capital in the portfolio.

The operative units cooperate in regards to functional issues in form of task forces, the so-called "Federations". There, experiences are shared and "Best Practices" developed which can be transferred to other countries after successful piloting.

Strategy along five value drivers

The METRO Cash & Carry Strategy consists of the Value Creation Plans of the operative companies. The Value Creation Plans of all companies have the following similarities:

- *Achievement of full potential in self-service wholesaling*

The achievement of full potential in self-service wholesaling – the largest business of the Group – forms the supporting pillar of the METRO Cash & Carry Strategy.

This includes the optimisation of local market concepts in regards to the respective local customer demands, e.g. the introduction of smaller outlets in inner-city locations focused on HoReCa and focused product ranges. Objective of the new

market concept, besides customer focus, is also increased cost efficiency as well as lower investment needs.

Additionally, the portfolio of wholesale outlets is checked for closings and alternative utilisation concepts. Thus, in some countries, unprofitable outlets are closed. In other countries, however, outlets are systematically reduced and freed up areas are converted to depots for deliveries.

The re-opening of wholesale outlets is mainly limited to growth markets as well as to the consolidation of presence in few ripe markets with potential for expansion. Here, concepts are used which require substantially lower investments.

- *Expansion of the supply business*

Among the distribution channels, the cash-and-carry wholesale markets form the focus of METRO Cash & Carry. For the HoReCa segment, however, the supply business is gaining importance, the supply from supermarkets as well as from specially designated logistic centres.

The expansion in the supply business is financially attractive, since higher growth rates may be achieved in comparison to self-service wholesaling. Furthermore, this is also the preferred shopping channel for HoReCa target customers. The strong presence in self-service wholesaling offers METRO Cash & Carry an existing access to these target customers and, therefore, a platform to grow in supply.

METRO Cash & Carry achieves a significant growth (e.g. by customer access, cross-selling, complimentary competences) and cost synergies (e.g. in sales and marketing, administrative functions, procurement and logistics). Against this background, the operative units implement organic as well as non-organic expansion strategies in the supply area.

Successful acquisitions in the recent past were the Classic Fine Foods Group – a supply specialist present mainly in Asian countries – as well as RUNGIS Express, a premium food supplier located in Germany. In addition, in July 2016, an agreement was concluded for the acquisition of the French food supplier for commercial customers, Pro à Pro. The completion of the transaction is still pending.

- *Investments in trader franchising*

In selected countries, METRO Cash & Carry increases its engagement in the area of trader franchising; in particular in countries in which there is a trend towards

convenience and where retailing is increasingly professionalised. The objective is to support small, independent retailers with a professional concept to establish themselves in a competitive market environment. For METRO Cash & Carry this model ensures long-term customer loyalty and stable sales with the retail partners. For the expansion of this business, METRO Cash & Carry may use the customer access from the self-service wholesaling as platform.

- *Operative improvements:*

Operative improvements are part of each Value Creation Plan in the operative units. This includes the increase of operative efficiencies in self-service wholesaling and supply, typically by decreasing personnel cost, savings in procurement as well as optimisation of material costs. Additionally, the administrative functions in the headquarters of the operative units as well as of the Group are streamlined.

Furthermore, METRO Cash & Carry increases its focus on the operative cash flow. This is done by cost discipline, rigid scrutiny of investment projects as well as optimisation of the net current assets.

- *Solutions and digital technologies*

In addition to the classic trading transaction, METRO Cash & Carry extends its product range by numerous solutions for the target customers. Value adding solutions such as training, partnerships as well as consultation services are tailored to customer demands. The digitalisation of customer interfaces facilitates cooperation, increases the quality of services as well as the efficiency. The digitalisation of the ecosystems of the customers – mainly in the HoReCa segment – is intended to contribute sustainably to their success (among other things by so-called "point of sale" solutions and digital booking systems).

Real

Real is among the leading operators of hypermarkets (full product range markets) in Germany and is engaged in this area both in stationary retail and in online distribution. Real operates 285 such consumer markets in Germany.

After a longer phase of stabilisation and consolidation, with a new collective labour agreement with ver.di and a new procurement cooperation with Markant, Real has created economic framework conditions for future growth.

The three central value drivers of the Real Strategy are:

- *Food Lover Hybrid Concept*

In the Food Lover Hybrid Concept, Real combines the range of low priced dry products in classical discounter logic with a high-quality fresh product range. This concept creates an individual shopping experience and is currently piloted in the "Markthalle" in Krefeld. After a successful test phase, this concept is to be transferred to other Real outlets. This is accompanied by a comprehensive restructuring of the affected outlets.

- *Electronic multi channel business*

The combination of electronic customer interfaces with advantages of classical stationary retail business, e.g. Click & Collect (online ordering and collection in the outlet); transport after checkout (delivery after payment in the outlet); as well as operation of webshops (e.g. through the online shopping portal "Hitmeister").

- *Efficiency gains*

In Germany, the Real division benefits from the implementation of synergies with the METRO Cash & Carry division. These synergies result from the three areas increased procurement volumes, efficient logistics, IT and administrative functions as well as from the joint development of senior management.

These synergies will be expanded further. Furthermore, Real will continue to streamline the organisation, such as through the elimination of management levels.

In the course of the strategic realignment of Real a restructuring of the administrative divisions will also be conducted. In this context, up to 500 full time positions are to be reduced. Real expects restructuring costs in the medium two-digit range of millions of euros. With the new hybrid store concept, it is expected that in the medium term up to 3,000 new jobs will come into existence.

2. **Asset position, financial condition and results of operations of METRO Wholesale & Food Specialist AG and MWFS Group after the spin-off**

Presented below are the asset position, financial condition and results of operations of MWFS AG as well as of the future MWFS Group upon the Spin-Off taking effect. After the Spin-Off the MWFS Business Division will form a separate group with MWFS AG as parent company and management holding company.

The following information on the asset position, financial condition and results of operations of the MWFS Business Division is based on the Combined Financial Statements of MWFS for the financial year ending on 30 September 2016, which present the economic activities of the MWFS Business Division, as such financial statements were prepared by METRO AG (cf. Section VII.1.b)(1)). For the preparation of the Combined Financial Statements of MWFS basically the same accounting principles and valuations as form the basis of the consolidated financial statements of METRO were used. To the extent in compliance with IFRS, the method of continuation of carrying amounts was applied. Within the scope of the continuation of carrying amounts, according to IFRS 1 (Bottom-up Approach) goodwill and hidden reserves in real property assets from acquisitions of METRO AG identified within the scope of the purchase price allocation were eliminated. The Combined Financial Statements of MWFS were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, and an unqualified audit opinion was issued. Due to rounding up some figures in the tables below may not exactly add up to the sums provided. Statements regarding medium-term ambitions are made before portfolio measures and based on the assumption of stable foreign exchange rates.

Asset position

The asset position of the MWFS Business Division derives from the below asset side of the combined balance sheet of MWFS as at 30 September 2016:

Assets		
EUR millions	30/09/2015	30/09/2016
Non-current assets	9,284	9,434
Goodwill	804	852
Other intangible assets	371	420
Property, plant and equipment	6,833	6,979
Investment properties	218	163
Financial assets	43	89
Investments accounted for using the equity method	184	183
Other financial and other assets	248	239
Deferred tax assets	583	509
Current assets	9,441	6,558
Inventories	3,117	3,063
Trade receivables	434	493
Financial assets	5	0
Other financial and other assets	2,115	1,280
Income tax receivables	84	123
Cash and cash equivalents	3,436	1,599
Assets held for sale	250	0
	18,725	15,992

On 30 September 2016 total assets of the MWFS Business Division totalled EUR 16.0 billion (30/09/2015: EUR 18.7 billion). Non-current assets showed a small increase from EUR 0.2 billion to EUR 9.4 billion in the financial year 2015/16. Current assets decreased by EUR 2.9 billion to EUR 6.6 billion. Compared to the consolidated financial statements of METRO AG, total assets were reduced by an amount of EUR 2.3 billion in total due to elimination of goodwill as well as of the hidden reserves in real property assets from acquisitions of METRO AG that were identified in the course of the purchase price allocations.

Investments in the MWFS Business Division in the past financial year 2015/16 totalled EUR 1,007 million (2014/15: EUR 1,155 million). In the medium term, investments in an amount of less than 2.0 percent of sales are expected.

The impact of the Hive-Down and Spin-Off on the asset position of MWFS AG and the future MWFS Group according to the balance sheet is presented in Section VII.1.

Capital structure

The capital structure of the MWFS Business Division derives from the below liabilities side of the combined balance sheet of MWFS of 30 September 2016:

Liabilities and Equity		
EUR millions	30/09/2015	30/09/2016
Equity	2,651	2,924
Net capital allocated to shareholders	3,458	3,748
Other components of equity	-841	-860
Non-controlling interests	34	36
Non-current liabilities	5,834	4,954
Provisions for pension plans and similar commitments	547	646
Other provisions	358	297
Debt	4,714	3,796
Other financial and other liabilities	143	127
Deferred tax liabilities	72	88
Current liabilities	10,240	8,114
Trade payables	5,011	4,892
Provisions	499	559
Debt	2,961	944
Other financial and other liabilities	1,459	1,591
Income tax liabilities	116	128
Liabilities in connection with assets held for sale	194	0
	18,725	15,992

On 30 September 2016 equity of the MWFS Business Division amounted to EUR 2.9 billion (30/09/2015: EUR 2.7 billion). The equity ratio was 18.2 percent (30/09/2015: 14.2 percent).

As at 30 September 2016, the non-current liabilities of the MWFS Business Division amounted to EUR 5.0 billion (30/09/2015: EUR 5.8 billion). In particular, this includes the entire non-current financial liabilities of METRO AG recognised in the balance sheet (see Section VII.3.d)). In addition, pension liabilities exist towards active and inactive employees of the companies of the MWFS Business Division as well as towards the employees of the MWFS Branch of Activity of METRO AG, who were active upon expiry of 30 September 2016. As at 30 September 2016, the current liabilities amounted to EUR 8.1 billion (30/09/2015: EUR 10.2 billion). Among other things, this includes the entire current financial liabilities of METRO AG recognised in the balance sheet (see Section VII.3.d)). As a result, the entire financial liabilities of METRO AG that are recognised in the balance sheet are allocated to the MWFS Business Division. On aggregate, compared to 30 September 2015 the debt-to-equity ratio declined by 4.0 percentage points to 81.8 percent.

Net debt on 30 September 2016 was EUR 3.1 billion (30/09/2015: EUR 3.8 billion):

Net Debt		
EUR millions	30/09/2015	30/09/2016
Cash and cash equivalents according to the balance sheet	3,436	1,599
Short-term investments	424	90
Debt (including finance leases)	7,675	4,740
Net debt	-3,815	-3,051

With this capital structure MWFS AG strives to receive an Investment Grade Rating.

Liquidity

In the 2015/16 financial year, operations of the MWFS Business Division generated a cash inflow of EUR 1,173 million (2014/15: EUR +1,252 million). In the area of investment activities a cash inflow of EUR 512 million (2014/15: EUR -827 million) can be recorded. Due to high repayments of financing, cash flow from financing activities shows an outflow of funds in the amount of EUR 3,513 million (2014/15: EUR +1,487 million).

Cash Flow Statement		
EUR millions	2014/15	2015/16

Cash flow from operating activities	1,252	1,173
Cash flow from investing activities	-827	512
Cash flow from financing activities	1,487	-3,513
Total cash flow	1,912	-1,828

On 30 September 2016 bilateral credit facilities in the amount of EUR 275 million in total were utilised. Apart from that, there existed syndicated credit facilities in the amount of EUR 2,525 million, which were not utilised. Against the background of the Hive-Down and Spin-Off the syndicated credit agreements are to be adjusted upon approval by the banking syndicate. The goal is to agree on a total credit volume consisting of both syndicated credits and bilateral credits in the amount of EUR 2 billion in total. The breakdown of the individual credit volumes of syndicated and bilateral credits will be unanimously determined together with selected banks. These long-term - not yet drawn - credit facilities serve as liquidity reserve. For details see Section VII.3.d)(2).

In total the MWFS Business Division has an adequate liquidity reserve, so that no liquidity risks arise, even if any unexpectedly occurring events have a negative financial impact on the liquidity position.

In the medium term, a free cash flow (defined as EBITDA after changes in operating net assets, less cash investments) in an amount of more than 60 percent of EBITDA is envisaged.

Results of operations

The following table shows the income statement of the MWFS Business Division for the financial year 2015/16:

EUR millions	2014/15		2015/16	
	As reported	Before special items	As reported	Before special items
External Sales	37,496	37,496	36,549	36,549
EBITDA	1,606	1,771	1,918	1,791
EBIT	860	1,081	1,219	1,106
Other financial income (expense)	-394	-388	-325	-298
EBT	466	693	894	808
Taxes	-201	-229	-375	-313
Profit or loss for the period	265	464	519	495

	11	11	13	12
Profit or loss for the period attributable to non-controlling interests				
Profit or loss for the period attributable to shareholders	254	453	506	483
Earnings per share	0.70	1.25	1.39	1.33

External sales of the MWFS Business Division decreased in the financial year 2015/16 by 2.5 percent to EUR 36.5 billion. This is due to negative exchange rate and portfolio effects as well as the development at Real. In the medium term, an annual average growth rate of ≥ 3 percent is envisaged.

In the financial year 2015/16 EBITDA of the MWFS Business Division increased to EUR 1,918 million (2014/15: EUR 1,606 million). This includes exceptional items in the amount of EUR +127 million (2014/15: EUR -165 million). This essentially regards income from the sale of METRO Cash & Carry Vietnam and contrary restructuring and efficiency enhancement measures. Before exceptional items EBITDA increased from EUR 1,771 million to EUR 1,791 million. In the medium term, a stable EBITDA margin at historical levels is envisaged percent.

EBIT of the MWFS Business Division in the financial year 2015/16 totalled EUR 1,219 million and clearly exceeded previous year's value of EUR 860 million by EUR 359 million. This strong rise is particularly due to income from the sale of the activities in Vietnam in the reporting year (EUR 446 million). EBIT includes exceptional items in the amount of EUR +113 million, particularly income from the sale of METRO Cash & Carry Vietnam and contrary from restructuring and efficiency enhancement measures.

The financial income (expense), net in the amount of EUR -325 million essentially consists of the interest result in the amount of EUR -211 million (2014/15: EUR -254 million) and other financial income (expense), net in the amount of EUR -114 million (2014/15: EUR -143 million).

Recorded income tax expenses of EUR 375 million (2014/15: EUR 201 million) are by EUR 174 million higher than in the previous year and are essentially due to deferred taxes:

Income taxes		
EUR millions	2014/15	2015/16
Current taxes	257	271
of which Germany	(3)	(32)
of which international	(254)	(239)
of which tax expenses/income for the current period	(276)	(316)
of which tax expenses/income for previous periods	(-19)	(-45)
Deferred taxes	-57	104
of which Germany	(-67)	(77)
of which international	(10)	(27)
	201	375

In the 2015/16 financial year, the tax ratio allocable to the MWFS Business Division amounted to 41.9 percent (2014/15: 43.1 percent). Before exceptional items the ratio equalled 38.7 percent (2014/15: 33.0 percent). In the medium term, a tax ratio of less than 40 percent is envisaged. The tax ratio depicts the ratio between recorded income tax expenses and earnings before taxes. The corporate tax losses carried forward by MWFS AG are approximately EUR 2.7 billion. The trade tax losses carried forward are approximately EUR 2.9 billion.

In the financial year 2015/16 the profit for the period of the MWFS Business Division reached EUR 519 million (2014/15: EUR 265 million). Upon deduction of the shares of non-controlling shareholders the remaining profit for the period amounts to EUR 506 million (2014/15: EUR 254 million).

In the financial year 2015/16 the MWFS Business Division achieved earnings per share of EUR 1.39 (2014/15: EUR 0.70). This calculation was based on the number of shares of 363,097,253 after the Hive-Down and Spin-Off Capital Increase. The profit for the period of EUR 506 million to be allocated to the shareholders of METRO AG was distributed to this number of shares. The earnings per share before exceptional items in the amount of EUR 1.33 exceed previous year's value by EUR 0.08 (2014/15: EUR 1.25).

The above-mentioned results already include the transaction costs of EUR 24 million assumed by the MWFS Business Division. According to previous estimates, in the current financial year additional transaction costs of approximately EUR 75 million will be borne by MWFS AG (see Section V.15). Furthermore, after the demerger takes effect, estimated costs for the settlement of the LTI Programmes in the amount of approximately EUR 40 million will arise (see Section VII.3.f). In this respect, provisions in the amount of EUR 21 million were already made by 30 September 2016. Net costs for the Corpo-

rate Center MWFS³ for the past years were assessed at approximately EUR 150 million p.a. (before special items). For the time following the demerger, in the medium term net costs in the amount of approximately EUR 130 million p.a. are to be expected.

At MWFS AG the recognition of the Hive-Down Assets in the individual financial statements of MWFS AG at fair value leads to the realisation of hidden reserves and thus reduces the range applicable for avoiding depreciation/amortisation of assets.

Ability to pay dividends and dividend policy

MWFS AG intends to distribute an attractive dividend. MWFS AG intends to continue the dividend policy of METRO AG with a distribution rate of 45 to 55 percent of the earnings per METRO GROUP.

3. Legal structure of METRO Wholesale & Food Specialist AG and MWFS Group after the spin-off

a) Shareholder structure

With the spin-off taking effect, the METRO shareholders will be participating directly in MWFS AG with 90 percent of the capital stock. The other approximately 10 percent of the capital stock are held directly or indirectly by METRO AG which will thereby be one of the largest individual shareholders of MWFS AG.

Each METRO shareholder holds exactly the same number of MWFS Shares which he is holding in METRO AG at the time of the spin-off taking effect. In relation to the entire capital stock of MWFS AG, the proportionate holding of each METRO shareholder in MWFS AG compared to such shareholder's holding in METRO AG is less by 10 percent due to the (direct or indirect) company interest held by METRO AG. A shareholder who holds, for instance, 10 percent in METRO Shares, receives an allocation of 9 percent of the MWFS Shares. This can lead to the result that certain shareholders' rights which could be exercised by METRO AG based on the participation rate may no longer be exercised by MWFS AG (for instance, requests to call a general meeting or to amend the agenda, § 122 para. 1 sent.1 or para. 2 sent. 1 AktG, application to appoint a special auditor, § 142 para. 2 sent. 1 AktG).

³ The net costs of the Corporate Center MWFS are the costs of the Corporate Center MWFS including costs which are attributable to the METRO Cash & Carry business division and arise at group headquarters, excluding initial costs for trademarks and already less income from costs for IT und Business Services passed on to the operative units.

With the spin-off taking effect and taking into consideration the attributions pursuant to the WpHG, on the basis of the current WpHG voting rights notifications made vis-à-vis METRO AG – subject to changes in the actual participation ratios which occurred in the meantime, if applicable, that are not reportable pursuant to the WpHG – the following shareholders or groups of shareholders will probably reach or exceed the voting rights threshold of 3 percent, 5 percent, 10 percent, 15 percent and 20 percent at MWFS AG:

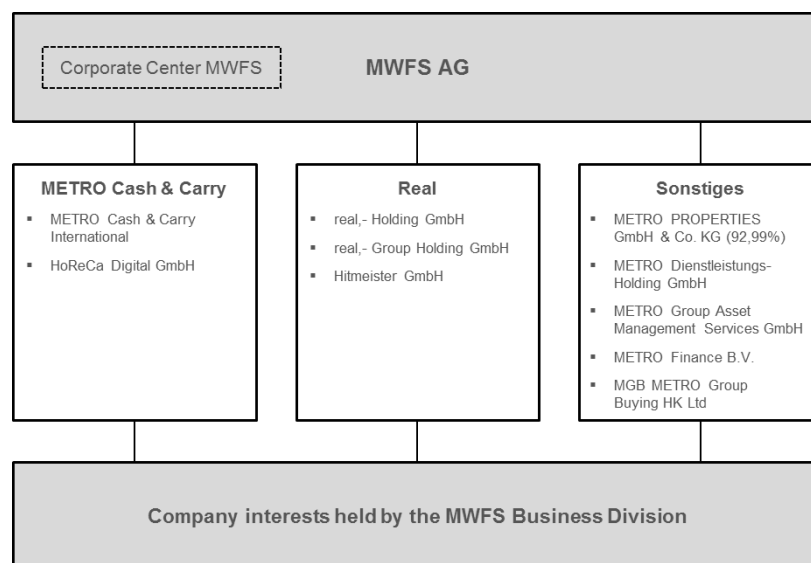
- the Haniel group of shareholders with a future 22.496 percent of the voting rights (exceeded notification thresholds pursuant to WpHG: 3 percent, 5 percent, 10 percent, 15 percent and 20 percent)
- the Schmidt-Ruthenbeck group of shareholders with a future 14.194 percent of the voting rights (exceeded notification thresholds pursuant to WpHG: 3 percent, 5 percent and 10 percent)
- METRO AG with a future approximately 10 percent of the voting rights, in this respect METRO AG will hold directly approximately 1 percent of the voting rights and indirectly approximately 9 percent of the voting rights through the direct shareholder METRO Consumer Electronics Zwischenholding GmbH & Co. KG (exceeded or reached notification thresholds pursuant to WpHG: 3 percent and 5 percent – the shareholding will be just below the 10 percent threshold)
- the Beisheim group of shareholders with a future 8.19 percent of the voting rights (exceeded notification thresholds pursuant to WpHG: 3 percent and 5 percent)

Each of the aforementioned shareholders of METRO AG has assumed a holding obligation in favour of MWFS AG regarding the MWFS Shares held in the future (so-called lock-up) with content customary in the market.

b) Group structure of MWFS Group

Upon the spin-off taking effect, MWFS AG will become the parent and management holding of MWFS Group containing all interests of the MWFS Business Division. Control and profit and loss transfer agreements as well as a tax group exist with all material German subsidiaries for the time as of 1 October 2016.

The following chart shows the future structure and important company interests of MWFS Group after the spin-off taking effect:



c) **Articles of association of METRO Wholesale & Food Specialist AG**

Upon the spin-off taking effect, the articles of association of MWFS AG will contain the usual provisions for a German public company and their content will correspond largely to the articles of association of METRO AG (taking into account changes suggested in the general meeting of METRO AG as of 6 February 2017). In more detail:

(1) **General provisions**

§§ 1 to 3 of the articles of association govern general questions such as company name ("METRO Wholesale & Food Specialist AG"), registered office ("Düsseldorf"), purpose of the company as well as announcements. The content of these provisions is standard.

The planned change of the company name of MWFS AG into "METRO AG" will not take place upon the spin-off taking effect, but only after change of the company name of METRO AG (cf. in more detail paragraph V.12.).

The purpose of the company and the connected provisions are as follows:

- "(1) The purpose of the Company encompasses the management and promotion of trading and service enterprises engaging particularly in the following areas:
- Trading businesses of all kinds related to the operation of retailing enterprises, mail order, wholesale trade and sales channels based on new electronic media;

- Manufacturing and development of products that may be the object of commerce and of services;
 - Execution of real-estate transactions of all kinds including property development;
 - Services, in particular in connection with trading, catering, consumer goods and logistics as well as trade-related digital business models;
 - Brokering of financial services for, through or by affiliates and subsidiaries;
 - Asset management.
- (2) The Company may perform all and any acts and actions, and transact any businesses, which appear or are deemed expedient to the Company's purpose or are directly or indirectly related thereto. The Company may also itself directly engage in any of the business areas stated in para. 1 herein above. Any such business as requires specific governmental permits, licenses or approvals may not be transacted until after such permits, licenses or approvals have been granted. The Company may establish, form, acquire, manage or purchase equity interests, whether by minority shareholding or otherwise, in, or sell or dispose of, any such enterprises in Germany and abroad active in the business areas specified in para. 1 herein above. The Company may group its shareholdings under its uniform control or confine itself to the management of such affiliates/shareholdings."

(2) Share capital and shares

§ 4 of the future articles of association contains the provisions regarding the capital stock, shares and share certificates. After the hive-down capital increase and spin-off capital increase, the capital stock of the company will amount to EUR 363,097,253 and be divided up into 360,121,736 no-par value ordinary bearer shares and 2,975,517 no-par value, non-voting preference bearer shares.

Additionally, § 4 of the future articles of association contains the usual provisions, according to which the right of the shareholders to demand the issuance of share certificates is excluded. MWFS AG is entitled to issue collective certificates.

Finally, § 4 of the future articles of association contains provisions regarding an authorised capital and a contingent capital. The authorised capital has a volume of almost 50 percent of the capital stock of MWFS AG. It contains the authorisation of use and

possibilities for the exclusion of subscription rights that are common for German public companies. The portion of the capital stock attributable to shares that are being issued in exchange for contributions in cash and/or in kind during the term of this authorisation with an exclusion of the shareholders' subscription rights may not exceed 20 percent of the company's capital stock. The contingent capital serves the fulfilment of warrant and convertible bonds for the issuance of which the general meeting of MWFS AG is intended to authorise the management board of MWFS AG: It contains standard conditions for German public companies. Both capitals are explained in more detail in paragraphs g) and h).

(3) Management board

§§ 5 and 6 of the articles of association deal with the management board of the company. They are identical to the respective provisions of the articles of association of METRO AG (taking into consideration the changes proposed to the general meeting of METRO AG on 6 February 2017).

§ 5 of the articles of association of MWFS AG stipulates that the management board of MWFS AG consists of at least two members. The number of the members of the management board is determined by the supervisory board. Pursuant to § 6 of the articles of association, MWFS AG is to be legally represented by two management board members or by one management board member jointly with an executive holding a general power of attorney (*Prokurist*). In individual cases, the supervisory board may release individual members of the management board from the prohibition of multiple representation pursuant to § 181 2nd alt. German Civil Code.

The articles of association do not contain a catalogue of measures which the management board may only execute with the approval of the supervisory board. It is stipulated that the supervisory board identifies such reservations of approval in the rules of procedure for the management board or the supervisory board or through resolution.

(4) Supervisory board

§§ 7 to 14 of the articles of association contain provisions about the supervisory board of the company that are standard for German public companies. They are identical to the respective provisions of the articles of association of METRO AG (taking into consideration the changes proposed to the general meeting of METRO AG on 6 February 2017).

Pursuant to § 7 of the articles of association, the supervisory board consists of 20 members. As long as the general meeting does not set a shorter term of office, they are elected for a term until the end of the general meeting resolving on the formal approval

of the actions of the supervisory board in respect of the fourth financial year following the beginning of the term of office.

§ 13 of the articles of association governs the remuneration of the supervisory board members. According to this provision, the supervisory board members receive a fixed annual remuneration in the amount of EUR 80,000 per member. The chairman of the supervisory board will receive triple, his deputy and the chairmen of the committees will each receive double and the other members of the committees will each receive one and a half times of this amount. This does not apply with regard to the chairmanship and the membership in the committee pursuant to § 27 para. 3 MitbestG. The remuneration for a membership or the chairmanship in a committee will only be paid if at least two meetings or other adoptions of resolutions of this committee have taken place in the respective financial year. If a member of the supervisory board holds several of the specified offices at the same time, he will receive only the remuneration for one office, in the case of different remunerations for the office with the highest remuneration.

(5) General meeting of shareholders

§§ 15 to 18 of the articles of association contain provisions about the general meeting of shareholders of the company which are standard for German public companies. They are identical to the respective provisions of the articles of association of METRO AG (taking into consideration the changes proposed to the general meeting of METRO AG on 6 February 2017). § 15 of the articles of association stipulates, in particular, that the general meeting is to be held at the company's registered office, at the location of a German stock exchange or in another city in the Federal Republic of Germany with more than 500,000 inhabitants. Furthermore, § 17 contains standard provisions regarding the appropriate time restrictions to the right to ask questions and to speak at the general meeting.

Unless mandatory statutory provisions stipulate otherwise, a simple majority of the votes cast will be sufficient for any resolutions of the general meeting and a simple majority of the capital stock represented at the time when the resolutions are passed will be sufficient for a majority of capital; this does not apply to resolutions pursuant to § 103 para. 1 AktG, i.e. resolutions on the dismissal of members of the supervisory board (§ 19).

(6) Annual financial statements and appropriation of profits

§ 20 of the articles of association contains provisions about the annual financial statements of the company which are standard for German public companies. It is identical to the respective provision of the articles of association of METRO AG (taking into consid-

eration the changes proposed to the general meeting of METRO AG on 6 February 2017).

Furthermore, § 21 of the articles of association provides for the appropriation of company profits. Accordingly, holders of non-voting preference shares will receive a preferred dividend of EUR 0.17 per preference share from the annual balance sheet profit. Should the net profit available for distribution not suffice in any one financial year to pay the advance dividend, the arrears (excluding any interest) are to be paid from the net profit of future financial years in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a financial year are not distributed until all of any accumulated arrears have been paid. After the advance dividend has been distributed, the holders of ordinary shares receive a dividend of EUR 0.17 per ordinary share. Thereafter, an extra dividend, which does not have to be paid in arrears, is paid to the holders of preference shares. The extra dividend amounts to 10 percent of such dividend as will be paid to the holders of ordinary shares according to the regulations on further profit distribution, inasmuch as such dividend equals or exceeds EUR 1.02 per ordinary share.

d) Composition of the management board of METRO Wholesale & Food Specialist AG

Currently, MWFS AG has a management board with three members consisting of Mr. Christian Baier, Dr. Christoph Kämper and Mr. Christian Ziggel. The management board members were appointed on 8 November 2016 by the supervisory board of MWFS AG for the time until the expiry of 30 September 2017. With the exception of Mr. Christian Baier, the current management board members were only appointed for the purpose of the preparation of the spin-off. Dr. Christoph Kämper und Mr. Christian Ziggel will resign from their office promptly after the enlargement of the supervisory board of MWFS AG to 20 members (see in the following under Section e)). It is intended that the supervisory board of MWFS AG consisting of 20 persons will appoint the following persons as additional members of the management board for at least three years:

- Mr. Olaf Koch (Chairman of the management board)
- Mr. Pieter Boone
- Mr. Heiko Hutmacher (Labour Director)

The appointment of Mr. Christian Baier is to be extended by three years.

Except for Mr. Christian Baier, the current Chief Financial Officer of METRO Cash & Carry, the future management board members are current members of the management board of METRO AG. They will resign from office as members of the management board of METRO AG at the time of the spin-off taking effect (see also Section IX.3.d)).

The following is a brief overview of the proposed areas of responsibility:

Name	Proposed area of responsibility
Olaf Koch	<p>Chief Executive Officer, Chairman of the management board</p> <p>In particular responsible for the areas Real, HoReCa Digital, Strategie, Business Innovation, Legal & Compliance, Corporate Office, M&A, Investor Relations, Communications and Public Policy</p>
Christian Baier	<p>Chief Financial Officer</p> <p>In particular responsible for the areas METRO Properties, METRO Logistics, Treasury, Accounting, Controlling und Tax</p>
Pieter C. Boone	<p>Chief Operating Officer</p> <p>In particular responsible for the areas METRO Cash & Carry including MCC Operating Board and, thus, the Operating Partner</p>
Heiko Hutmacher	<p>Chief Human Resources Officer</p> <p>In particular responsible for the areas IT/METRO Systems, METRO Services, HR Operations and Leadership, Talent Management and Recruitment, Compensation, Benefits and International Assignment, Policy on Collective Agreements, Campus HR, Global Business Services, Sustainability</p>

All management board members will conclude service agreements with MWFS AG which take effect together with the spin-off. In this respect, the content of the remuneration of the management board is intended to comply with the recommendations of the German Corporate Governance Code.

e) Composition of the supervisory board of METRO Wholesale & Food Specialist AG

The supervisory board of MWFS AG is currently not subject to entrepreneurial co-determination and consists of the statutory minimum number of three members. These are Messrs. Michael Bouscheljong, Hans-Dieter Hinker and Harald Sachs (Chairman).

Promptly after the general meeting of METRO AG on 6 February 2017, the current three members will resign from their office on the supervisory board. The general meeting of MWFS AG will enlarge the supervisory board of MWFS AG to 20 members and will also elect them. Ten members will be the future shareholder representatives and ten will be elected upon proposal of the employees of the MWFS Business Division. It is intended that pursuant to § 96 para. 2 AktG, the supervisory board will consist of at least 30 percent women and 30 percent men.

It is proposed that the following persons shall be elected to the supervisory board of MWFS AG as representatives of the shareholders:

- Mr. Jürgen B. Steinemann
- Mrs. Gwyn Burr
- Dr. Florian Funck
- Mr. Peter Küpfer
- Mr. Mattheus P. M. (Theo) de Raad
- Dr. Fredy Raas

The other four persons to be elected to the supervisory board as representatives of the shareholders have not yet been determined at this time.

Mr. Steinemann is the current chairman of the supervisory board of METRO AG and he will also hold this office of chairman in MWFS AG – subject to a respective resolution by the supervisory board – after the enlargement of the supervisory board of MWFS AG. Mr. Steinemann, Mr. de Raad and Mrs. Burr will resign from their office as supervisory board members at METRO AG with effect of the spin-off taking effect.

It is proposed that the following persons shall be elected to the supervisory board of MWFS AG upon suggestion of the employees of the MWFS Business Division:

- Mr. Werner Klockhaus
- Mr. Thomas Dommel
- Mr. Andreas Herwarth
- Mrs. Susanne Meister
- Dr. Angela Pilkmann
- Mr. Xaver Schiller

The other four persons to be elected to the supervisory board upon suggestion of the employees of the MWFS Business Division have not yet been determined at this time.

Subsequently, the newly formed supervisory board will appoint the new management board members (cf. above Section d)).

Upon the spin-off taking effect, MWFS AG as parent company of MWFS Group will constitute a supervisory board subject to parity co-determination pursuant to the provisions of the MitbestG. The management board of MWFS AG will initiate so-called status proceedings (*Statusverfahren*) pursuant to §§ 97 et seqq. AktG. Since MWFS AG and the subordinated Group companies, from the spin-off taking effect, will generally have more than 20,000 employees pursuant to the provisions of the MitbestG, from this time onwards pursuant to § 7 para. 1 sent. 1 No. 3 MitbestG, the supervisory board of MWFS AG will be composed of ten supervisory board members each of the shareholders and the employees (pursuant to the provisions of the MitbestG, of the supervisory board members of the employees, seven will be employees of the company and three will be representatives of the unions represented in the Group companies).

Even before the spin-off taking effect, the general meeting of MWFS AG will resolve an amendment of the articles of association for the formation of a supervisory board pursuant to the provisions of the MitbestG. This amendment of the articles of association is only to be registered for entry in the commercial register upon the effective conclusion of the status proceedings. Upon entry of the amendment of the articles of association, the term of office of all 20 members of supervisory board of MWFS AG will end automatically. To ensure a seamless occupancy of the supervisory board, already before the spin-off taking effect, the general meeting of MWFS AG will elect the ten shareholders' representatives of the co-determined supervisory board of MWFS AG subject to the condition precedent. These will be the same persons who were already elected as representatives of the shareholders.

The supervisory board members elected upon proposal of the employees of the MWFS Business Division will be appointed by the court as representatives of the employees pursuant to §104 AktG.

It is proposed that, upon the spin-off taking effect, the supervisory board of MWFS AG will issue rules of procedure taking into account, among other things, the recommendations of the German Corporate Governance Code

The formation of committees exceeding the statutory minimum requirements is at the discretion of the future supervisory board. The following committees are intended to be formed: The supervisory board will elect from among its members an executive committee of the supervisory board, which will also be assigned with the tasks of a personnel committee. The tasks of the executive committee will be defined by the rules of procedure of the supervisory board. Furthermore, it is proposed to form an audit committee. The tasks of the audit committee will be predominantly matters of accounting and audit, monitoring of governance functions (internal control system, risk management, internal audit and compliance) as well as the preparation of respective resolutions of the supervisory board. In addition, a nomination committee will be formed which will be responsible for suggesting suitable candidates to the supervisory board for its election proposals for the general meeting for election to the supervisory board. After termination of the status proceedings, the supervisory board of MWFS AG will also form a conciliation committee within the meaning of § 27 MitbestG.

f) Independent auditor

In the course of the change of the legal form of METRO Wholesale & Food Specialist GmbH into MWFS AG, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as independent auditor for the 2016/17 financial year that commenced on 1 October 2016. Still prior to the spin-off taking effect, the general meeting of MWFS AG will appoint KPMG AG Wirtschaftsprüfungsgesellschaft, also as independent auditor for the audit review of interim financial reports.

g) Authorised capital

It is intended that the future articles of association of MWFS AG provide for an authorisation of the management board of MWFS AG to increase the capital stock of the company, with the consent of the supervisory board, on one or more occasions on or before 28 February 2017, by issuing new ordinary bearer shares in exchange for contributions in cash or in kind up to a maximum amount of EUR 181,000,000 (Authorised Capital).

The Authorised Capital of MWFS AG is intended to be resolved by the general meeting of MWFS prior to the spin-off taking effect. The management board MWFS AG will be instructed to file the Authorised Capital with the commercial register with the proviso that the registration of the Authorised Capital in the commercial register will be conducted directly after the spin-off taking effect.

As a general rule, shareholders of MWFS AG are entitled to subscription rights under statutory law if the proposed Authorised Capital is utilised. In addition to an issue of the new shares directly to the shareholders, the Authorised Capital is to provide for the possibility that the new shares are assumed by credit institutions or by enterprises that are equivalent pursuant to § 186 para. 5 sent. 1 AktG, subject to the obligation to offer them to the shareholders of MWFS AG for subscription. The use of credit institutions or enterprises that are equivalent pursuant to § 186 para. 5 sent. 1 German Stock AktG as intermediaries merely serves the purpose of facilitating the technical processing of the share issue.

The authorisation is to provide for the following exceptions from the subscription rights of the shareholders of MWFS AG:

The management board of MWFS is to be authorised, with the approval of the supervisory board, to exclude the subscription right for for the compensation of fractional amounts. This facilitates the utilisation of the authorisation by round amounts and simplifies the technical processing of the shareholders' subscription right. The shares excluded from the shareholders' subscription right as fractional amounts will be realised for the benefit of MWFS AG either by disposal on the stock exchange or in another way at the best possible price. Due to the limitation to residual amounts, the potential dilutive effect is very small.

Furthermore, the management board is to be authorised, with the approval of the supervisory board, to exclude the shareholders' subscription right if the shares are issued in exchange for contributions in kind for the purpose of corporate mergers or for the acquisition of companies, divisions of companies, operational activities, branches of activity or interests in companies. With this authorisation for the exclusion of subscription rights, it is intended, in particular, to enable MWFS AG in suitable cases to use ordinary shares as consideration in the course of corporate mergers or for the acquisition (also indirectly) of companies, divisions of companies, operational activities, branches of activity or company interests. As an acquisition currency, treasury shares are an important instrument. The international competition and the globalisation of the economy often require this form of consideration. Besides, the granting of shares can be a cost-efficient way of financing for MWFS AG which preserves the company's liquidity. The proposed authorisa-

tion is intended to allow the company to quickly and flexibly make use of upcoming opportunities, both nationally and on the international markets, for the acquisition of companies, divisions of companies, operational activities, branches of activity or interests in companies with regard to which the consideration consists of MWFS AG Shares, in whole or in part, without the time-consuming holding of a general meeting of MWFS AG and while also, as the case may be, maintaining confidentiality. When such an opportunity becomes more concrete, the management board of MWFS AG will carefully consider whether to exercise its authorisation to implement the capital increase without granting subscription rights. The management board will do so only if such exercise is in the best interest of the company. And only if this requirement is fulfilled will the supervisory board of MWFS AG grant its necessary consent for the utilisation of the authorised capital.

Furthermore, the management board MWFS AG, with the consent of the supervisory board, is to be authorised to exclude the subscription right for the benefit of the holders of warrant or convertible bonds issued by MWFS AG or by such affiliates in which MWFS AG holds at least 90 percent of the shares, directly or indirectly. This is intended to afford adequate protection against dilution to the holders of such warrant and convertible bonds or warrant and conversion obligations. The terms and conditions of warrant and convertible bonds typically provide that protection from dilution has to be granted in case of a capital increase either by reducing the warrant or conversion price or through the provision of subscription rights. In order to avoid leaving the company no alternative but to reduce the warrant or conversion price, an authorisation is intended for the utilisation of the authorised capital to exclude the shareholders' subscription rights to new ordinary shares to the extent necessary to grant subscription rights to the holders of warrant or convertible bonds to the extent to which the latter would be entitled upon exercise of their warrant or conversion rights prior to the adoption of the resolution for the capital increase or upon performance of their warrant or conversion obligations prior to the adoption of the resolution for the capital increase or upon exercise of a substitution right by MWFS AG. This authorisation allows the management board of MWFS AG to choose between the two alternatives when utilising the Authorised Capital, after carefully weighing the interests of the company and the shareholders.

In addition, the management board of MWFS AG is to be authorised, with the consent of the supervisory board, to exclude the subscription right pursuant to § 186 para. 3 sent. 4 AktG. With this authorisation to exclude subscription rights in the case of capital increases in exchange for cash contributions, which is provided by statutory law, MWFS AG will be enabled to take advantage on short notice of favourable circumstances on the stock market and, thereby, to achieve an issue amount as high as possible as a result of the

price determination close to the market – without a discount for subscription rights – and, therefore, to achieve a maximum strengthening of the equity capital. The option of raising capital at the highest possible price is important for MWFS AG, particularly since it is imperative for the company to quickly and flexibly exploit market opportunities and to have access to the equity capital necessary to do so. This authorisation to exclude subscription rights is limited to an amount that on aggregate may not exceed 10 percent of the company's capital stock. Since the management board will file the authorised capital with the commercial register only after the demerger taking effect, the basis for the 10 percent limit is the capital stock of MWFS AG as increased by the Hive-Down Capital Increase and the Spin-Off Capital Increase in an amount of EUR 363,097,253. Such shares are to be counted towards the 10 percent limit which during the term of the authorised capital are otherwise issued or disposed of with an exclusion of subscription rights in application, directly or mutatis mutandis, of § 186 para. 3 sent. 4 AktG. A corresponding crediting to the limit amount is conducted for shares which are or have to be issued or for the fulfilment of warrant and convertible bonds which themselves were issued during the term of the authorised capital with an exclusion of the subscription right in application, mutatis mutandis, of § 186 para. 3 sent. 4 AktG. The subscription rights may only be excluded if the issue price of the new shares is not substantially lower than the stock exchange price of the MWFS AG Ordinary Shares with the same features that are already listed. The management board of MWFS AG will determine a possible discount on the stock market price as small as possible in accordance with the prevailing market conditions at the point in time of the placement. By the limitation of the number of shares to be issued and the obligation to determine the issue price of the new shares close to the stock price, the shareholders are sufficiently protected against a dilution of the value of their shares. At the same time, it is ensured that the cash flow to be received by the company is appropriate. Besides, shareholders wishing to maintain the proportion of their shareholding in the case of a capital increase with an exclusion of subscription rights have the opportunity to acquire the number of ordinary shares required therefor through the stock exchange.

The portion of the capital stock attributable to shares that are being issued in exchange for contributions in cash and/or in kind during the term of the authorisation with an exclusion of the shareholders' subscription rights may not exceed 20 percent of the company's capital stock existing at the point in time of the adoption of the resolution by the general meeting.

At the moment, there are no concrete plans to utilise the proposed authorisation. To the extent that in the case of a utilisation of the Authorised Capital new shares are issued significantly below their market value, this may result in tax detriments because of a

shifting of the hidden reserves to the new shares. This may result in restrictions for the utilisation of the Authorised Capital. The management board of MWFS AG will report on any utilisation of the Authorised Capital at the general meeting of MWFS AG next following such exercise.

h) Authorisation pursuant to § 221 AktG and conditional capital

METRO AG has undertaken in § 32.3 of the Demerger Agreement to ensure that prior to the spin-off taking effect the general meeting of MWFS AG will authorise the management board of MWFS AG to issue convertible or warrant bonds (together "**Bonds**") in a total nominal amount of up to EUR 1.5 billion.

Accordingly, it is intended that the future articles of association of MWFS AG provide for a conditional capital of up to a total of EUR 16,339,376 (Conditional Capital).

The authorisation of the management board of MWFS AG and the Conditional Capital of MWFS AG are to be resolved by the general meeting of MWFS AG, and the Conditional Capital to be registered in the commercial register, before the demerger taking effect, i.e. without an involvement of the shareholders of METRO AG.

The authorisation of the management board of MWFS AG and the Conditional Capital are intended to enable MWFS AG to flexibly use attractive financing options.

As a general rule, the shareholders of MWFS AG are entitled to the statutory subscription right for Bonds carrying warrant or conversion rights or obligations (§§ 221 para. 4, 186 para. 1 AktG). In order to facilitate the technical processing of the issue, it is intended to make use of the possibility to issue the Bonds to a financial institution or a syndicate of financial institutions, subject to the obligation to offer the Bonds to the shareholders in accordance with their subscription right (indirect subscription right pursuant to § 186 para. 5 AktG).

The exclusion of the subscription right for fractional amounts is intended to facilitate the utilisation of the proposed authorisation by round amounts. This simplifies the technical processing of the shareholders' subscription right.

The exclusion of the subscription right for the benefit of holders of warrant or conversion rights or obligations that already have been issued has the advantage that the warrant or conversion price for the warrant or conversion rights or obligations that already have been issued does not have to be reduced and that, thus, a higher total inflow of funds can be achieved. Therefore, both cases of the exclusion of the subscription right are in the best interests of MWFS AG and its shareholders.

The management board of MWFS AG is further authorised, with the approval of the supervisory board, to exclude the subscription right of the shareholders in its entirety, if the issue of the Bonds carrying warrant or conversion rights or obligations is made against cash payment at an issue price which is not significantly lower than the market price of these Bonds. This awards MWFS AG the opportunity to make use of favourable market opportunities quickly and at short notice and to obtain better conditions for the determination of the interest rate and the issue price of the Bonds by stipulating terms and conditions which are closer to the market environment. A stipulation of terms and conditions that are closely related to the market environment and a smooth placement would not be possible if the subscription right had to be observed. § 186 para. 2 AktG allows for a publication of the issue price (and, thus, the terms and conditions of these Bonds) until the third last day of the subscription period. However, given the volatility of the equity markets that is often observable, there still exists a market risk for several days, leading to safety discounts when determining the conditions of the Bonds and hence resulting in terms that are not close to market conditions. Furthermore, if the subscription rights are granted, a successful placement with third parties is made more difficult or entails additional efforts, given the uncertainty regarding the exercise of the subscription right (subscription behaviour). Finally, if granting subscription rights, MWFS AG is unable to react to favourable or unfavourable changes in market conditions on short notice because of the duration of the subscription period, but is exposed to declining stock prices during the subscription period which may lead to MWFS AG procuring capital on unfavourable terms.

Pursuant to § 221 para. 4 sent. 2 AktG, the provision in § 186 para. 3 sent. 4 AktG applies accordingly to this case of an exclusion of the subscription right in its entirety. According to the content of the resolution, the limit stipulated in this provision for the exclusion of the subscription right of 10 percent of the capital stock has to be complied with. It is ensured by means of a respective stipulation in the authorisation resolution that the limit of 10 percent is neither exceeded in the case of a capital reduction, since it is expressly prohibited for the authorisation to exclude the subscription right to exceed an amount of 10 percent of the registered capital stock, both at the time of the becoming effective and – in the event that this value is lower – at the time of the utilisation of the authorisation. By means of the stipulation in the authorisation resolution that the authorisation is limited to 10 percent of the capital stock at the time of the utilisation of the authorisation, it is ensured that the limit of 10 percent is not exceeded in the case of a subsequent capital reduction, either. Such shares are to be counted towards the aforementioned 10 percent limit which during the term of the authorisation are issued or disposed of with an exclusion of subscription rights in application, directly or *mutatis mutandis*, of § 186 para. 3 sent. 4 AktG. A corresponding crediting to the limit amount is conducted

for shares which are or have to be issued or for the fulfilment of already issued warrant and convertible bonds which themselves were issued with an exclusion of the subscription right in application, *mutatis mutandis*, of § 186 para. 3 sent. 4 AktG.

§ 186 para. 3 sent. 4 AktG further stipulates that the issue price may not be significantly lower than the stock market price. This provision is intended to ensure that no significant economic dilution of the value of the shares occurs. Whether or not such dilution effect occurs in the event of an issue of Bonds carrying warrant or conversion rights or warrant or conversion obligations without granting subscription rights may be determined by calculating the hypothetical market price of the Bonds in accordance with generally accepted, especially financial mathematical, methods and comparing it to the issue price. If in the process of a duly conducted examination this issue price is found to be only insignificantly lower than the hypothetical market price at the time of the issue of the Bonds, the exclusion of the subscription right is permissible in accordance with the rationale and purpose of the provision in § 186 para. 3 sent. 4 AktG, because the deduction is merely insignificant. Therefore, the authorisation resolution will stipulate that, prior to the issue of Bonds carrying warrant or conversion rights or warrant or conversion obligations, the management board of MWFS AG upon a duly conducted examination has to come to the conclusion that the intended issue price does not lead to a significant dilution since the issue price is not significantly lower than the hypothetical market price determined in accordance with generally accepted, especially financial mathematical, methods. This would result in the calculational value of a subscription right being close to zero, thus ensuring that the shareholders of MWFS AG will not suffer any material economic disadvantages from the exclusion of the subscription rights. Independently from this examination conducted by the management board of MWFS AG, a determination of terms and conditions which are closely related to market conditions – and thus the avoidance of a significant dilution of the value – is ensured in cases where a book-building procedure is conducted. In the course of this procedure, the Bonds are being offered at a fixed issue price; however, individual terms of the Bonds (for example, applicable interest rate and, as the case may be, their term) are stipulated on the basis of the purchasing orders submitted by investors, thus leading to a determination of a total value of the Bonds which is close to market conditions. All this ensures that the exclusion of the subscription right does not lead to a significant dilution of the value of the ordinary shares.

Besides, also after the exercise of warrant or conversion rights or the occurrence of warrant or conversion obligations, the shareholders have the opportunity, at any time, to maintain the extent of their portion of the capital stock of MWFS AG by acquiring ordinary shares through the stock market. In contrast, the authorisation to exclude the subscription right facilitates the determination of terms and conditions close to market condi-

tions, the highest possible extent of security regarding a placement with third parties and the utilisation of favourable market situations at short notice by MWFS AG.

i) Authorisation for the acquisition and use of treasury shares

METRO AG has undertaken in § 32.2 of the Demerger Agreement to ensure that prior to the spin-off taking effect the general meeting of MWFS AG will authorise the management board of MWFS AG pursuant to § 71 para. 1 no. 8 AktG until 28 February 2022 to acquire treasury shares of any class in an extent of up to a total of 10 percent of the capital stock existing at the point in time of the authorisation becoming effective or – if this value is lower – of the capital stock existing at the point in time of the exercise of the authorisation. It is stipulated that together with treasury shares that may have been acquired for other reasons and that are either held by MWFS AG or have to be attributed to the latter under §§ 71 a et seqq. AktG, shares acquired based on this authorisation may at no time exceed ten percent of the capital stock of MWFS AG at such point in time.

The authorisation for the acquisition of treasury shares is limited to an amount of 10 percent of the capital stock (§ 71 para. 1 no. 8 AktG). The relevant reference value in this respect is the registered capital stock at the point in time of the authorisation. Since the authorisation only becomes effective upon the spin-off taking effect, the maximum amount of 10 percent relates to the capital stock as increased by the Hive-Down Capital Increase and the Spin-Off Capital Increase in an amount of EUR 363,097,253. In the event that upon exercise the registered capital stock is lower than at the point in time of the authorisation, the reduced registered capital stock will be the reference value (cf. § 71 para. 2 AktG).

In order to give MWFS AG the necessary flexibility, it is intended to provide for the treasury shares to be acquired both through the stock exchange and by means of a purchase offer addressed to all shareholders of MWFS AG. If in the event of a purchase offer to all shareholders the number of shares offered at the stipulated price exceeds the number to shares required by MWFS AG, the reapportioning may be conducted in accordance with the proportion of the shareholdings held by the tendering shareholders to each other (shareholding quotas) or in accordance with the proportion of the tendered shares (tendering quotas). The possibility of commercial rounding serves the purpose of avoiding calculational fractions of shares. In this respect, the number of shares to be acquired by individual tendering shareholders may be rounded in such manner as is necessary, in order to facilitate, from a technical handling perspective, the acquisition of whole shares. Besides, the possibility is to be granted to provide for a preferential acceptance of small numbers of shares (up to 50 tendered shares per shareholder). In particular, this possi-

bility serves the purpose of avoiding smaller, usually economically inefficient residual shareholdings.

It is intended that the authorisation can be exercised by MWFS AG or its affiliates as defined in § 18 AktG or by third parties for its or their account. In addition, it is intended that the authorisation may be exercised, in compliance with statutory requirements, for any legally permissible purpose. With regard to the term of the authorisation for the acquisition of treasury shares, it is intended to provide for the statutory regime which permits a duration of up to five years.

It is intended that the treasury shares acquired pursuant to the authorisation may be disposed of again through the stock exchange or by an offer to all shareholders. This way, the principle of equal treatment of the shareholders is observed in the re-selling of the shares. To the extent that the shares are disposed by way of an offer to all shareholders, the management board of MWFS AG is to be authorised to exclude the subscription right of the shareholders of MWFS AG for fractional amounts. This serves the purpose of facilitating a subscription ratio that is technically feasible. The shares excluded from the shareholders' subscription right as fractional amounts will be realised for the benefit of MWFS AG either by disposal on the stock exchange or in another way at the best possible price. Due to the limitation to fractional amounts, the potential dilutive effect is small.

Besides, MWFS AG is to be enabled to use the treasury shares acquired pursuant to the authorisation under exclusion of the subscription right for the introduction to foreign stock exchanges at which MWFS Shares are not listed so far. This is a means to broaden the shareholder basis, further increase the attractiveness of the of MWFS share as an investment object and ensure an appropriate supply of MWFS AG with equity capital. Access to adequate equity capital is of considerable importance for the financing of MWFS AG and, particularly, for its further international expansion. By the intended lower limit for the initial offering price, which may fall short of the arithmetic mean of the auction closing prices of the already listed MWFS Shares with the same features in Xetra trading on the last five exchange trading days before the day of the IPO by no more than 5 percent, it is ensured that the consideration to be received by MWFS AG is appropriate and the shareholders are sufficiently protected against a dilution of the value of their shares.

It is also intended for MWFS AG to be able to have the treasury shares acquired pursuant to the authorisation at its disposal, in order to grant them – with an exclusion of the subscription right – as consideration in the course of corporate mergers or for the acquisition of enterprises, parts of enterprises, business establishments, company interests or other assets. As an acquisition currency, treasury shares are an important instrument.

The international competition and the globalisation of the economy often require this form of consideration in transactions of this kind. Besides, they can be a cost-efficient way of financing for MWFS AG. The proposed authorisation is intended to allow the MWFS AG to quickly and flexibly make use of upcoming opportunities, both nationally and on the international markets, for the acquisition of enterprises, parts of enterprises or company interests with regard to which the consideration consists of shares, in whole or in part, in particular, without the time-consuming holding of a general meeting and while also, as the case may be, maintaining confidentiality. In addition, the use of treasury shares for acquisitions has the advantage for the existing shareholders -in respect of ordinary shares -that compared to the situation before the acquisition of the treasury shares by MWFS AG their voting right is not diluted. Currently, there are no specific acquisition projects for which treasury shares are to be used.

It is stipulated that MWFS AG is further to be enabled, subject to the requirements of § 186 para. 3 sent. 4 AktG, to dispose of the treasury shares acquired pursuant to the authorisation, with an exclusion of the subscription right, against cash payment in ways other than through the stock exchange or by an offer to the shareholders. This is intended, in particular, to enable MWFS AG to issue MWFS AG Shares at short notice. Thus, the proposed authorisation serves the purpose of securing a permanent and appropriate equity capitalisation of MWFS AG. This is subject to the precondition that in the course of the disposal the selling price must not fall short significantly of the stock market price of the already listed MWFS Shares with the same features. The management board of MWFS AG will determine a possible discount on the stock market price as small as possible in accordance with the prevailing market conditions at the point in time of the placement. The total proportionate amount of the capital stock attributable to the shares to be disposed of may not exceed 10 percent of the capital stock. Such shares are to be counted towards the limit which during the term of the authorisation are issued in other ways with an exclusion of the subscription right in application, directly or *mutatis mutandis*, of § 186 para. 3 sent. 4 AktG. A corresponding crediting to the limit amount is conducted for shares which are or have to be issued or for the fulfilment of warrant and convertible bonds which themselves were issued with an exclusion of the subscription right in application, *mutatis mutandis*, of § 186 para. 3 sent. 4 AktG. By the limitation of the number of shares to be disposed of and the obligation to determine the selling price of the new shares close to the stock price, the shareholders are sufficiently protected against a dilution of the value of their shares. At the same time, it is ensured that the consideration to be received by MWFS AG is appropriate.

In the event that the management board of MWFS AG issues warrant or convertible bonds on the basis of an authorisation by the general meeting, it may be advisable not to

fulfil the rights for the subscription of shares resulting therefrom by way of a capital increase, but in whole or in part with treasury shares. Therefore, a corresponding utilisation of the treasury shares acquired pursuant to the authorisation under exclusion of the subscription right is provided for. By using treasury shares, the dilution of the shares of the shareholders, as it would occur in the case of a use of the contingent capital, is prevented. For the decision as to whether treasury shares will be delivered or the conditional capital will be used, the management board of MWFS AG will carefully consider the interests of MWFS AG and the shareholders. To the extent that treasury shares are disposed of by means of an offer to all shareholders, the possibility is to be created to grant subscription rights for MWFS Shares to the holders of warrants or convertible bonds to the extent they would have such subscription rights upon exercise of the warrant or conversion right or the fulfilment of the warrant or conversion obligation. The resulting exclusion of the subscription right of the shareholders has the advantage that the warrant or conversion price for the warrant or convertible bonds already issued does not have to be reduced pursuant to the conditions of the warrant and convertible bonds for the purpose of dilution protection, with the consequence that in this case, on the whole, MWFS AG will receive more funds upon the exercise of the warrant or conversion rights or upon fulfilment of the warrant or conversion obligations. The shares transferred on the basis of the authorisation must not account for more than a pro-rata amount of 10 percent of the capital stock, provided that the shares are used for the fulfilment of warrant or conversion rights or warrant or conversion obligations which were granted or created in application, *mutatis mutandis*, of § 186 para. 3 sent. 4 AktG. To this limit of 10 percent, such shares are to be credited which during the term of the authorisation were issued or disposed of at the time of use in application, directly or *mutatis mutandis*, of § 186 para. 3 sent. 4 AktG.

Furthermore, it is intended that the treasury shares may be used for the implementation of a so-called 'scrip dividend'. In the case of a scrip dividend for which treasury shares are used, the shareholders are offered to assign to MWFS AG their claim for payment of the dividend, which comes into existence with the resolution of the general meeting on the appropriation of profits, in order to receive treasury shares in return. The implementation of a scrip dividend using treasury shares may be conducted as an offer addressed to all shareholders in observance of their subscription right and in observance of the principle of equal treatment. In practice, in the case of a scrip dividend only whole shares are offered to each shareholder for subscription; with regard to the part of the dividend entitlement which falls short of or exceeds the subscription price for a whole share, the shareholders are limited to receiving the cash dividend and insofar are not able to receive shares. There is usually no offer of partial rights and no establishment of a trading of subscription rights or fractions thereof, because instead of receiving treasury shares

the shareholders receive, in part, a cash dividend. The management board is to be authorised to exclude the subscription right the shareholders in the course of the implementation of a scrip dividend, in order to be able to implement the scrip dividend at the best possible conditions. Depending on the capital markets situation, it may be preferable to structure the implementation of a scrip dividend using treasury shares in such manner that the management board offers to all shareholders who are entitled to dividends, in observance of the general principle of equal treatment (§ 53a AktG), treasury shares for subscription against assignment of their dividend entitlement and, thus, economically grants the shareholders a subscription right, but to legally exclude the shareholders' subscription right to new shares. Such exclusion of the subscription right facilitates the implementation of the scrip dividend at more flexible conditions. In view of the fact that all shareholders will be offered the treasury shares and excessive dividend amounts will be settled by cash payment of the dividend, an exclusion of the subscription right in this case appears as justified and appropriate.

MWFS AG is also to be enabled to redeem the treasury shares acquired pursuant to the authorisation without a new resolution of the general meeting (§ 71 para. 1 no. 8 sent. 6 AktG). In this respect, the proposed authorisation provides in accordance with § 237 para. 3 no. 3 AktG that the management board may also redeem the shares without a capital reduction. By redemption of the shares without a capital reduction, the pro-rata amount of the other no-par value shares in the capital stock of MWFS AG increases. In this respect, the management board of MWFS AG is authorised to amend the articles of association with regard to the changing number of no-par value shares.

All of the authorisations for the acquisition and for the utilisation of treasury shares may be exercised exclusively for ordinary shares or for preference shares or for both classes of shares.

The management board of MWFS AG will make its decision regarding the exercise of the proposed authorisation and the utilisation of acquired treasury shares within the framework of its duly exercised discretion.

At the moment, there are no specific plans to utilise the proposed authorisation for the acquisition of treasury shares. The management board of MWFS AG will report on any utilisation of the authorisation at the general meeting of MWFS AG next following such utilisation.

j) Remuneration programmes and employee incentive programmes

In order to facilitate participation of the members of the management board as well as selected executives of MWFS Group in the long-term and sustainable business success of MWFS Group, it is intended to initiate a new LTI programme for MWFS Group. It is intended to introduce a Performance Share Plan. The payment is to depend primarily on a component based on the shareholder return as well as the development of the earnings per share. The LTI programme of MWFS Group is intended to have a 3-year performance period. Besides, the beneficiaries are intended to be obliged to an investment in MWFS Shares.

To the extent that the beneficiary members of the management board or executives of MWFS Group are not yet holding vested rights under parts of the tranches of the LTI Programmes so far existing at METRO AG, the non-vested part of the tranche is to be continued in the course of an LTI roll-over at MWFS AG subject to the conditions described in Section VII.3.f).

All tranches of the MCC LTI relate exclusively to the METRO Cash & Carry distribution line and can be continued unchanged in MWFS Group after the spin-off.

IX. METRO GROUP after the spin-off

1. Business activity of METRO GROUP after the spin-off

Upon the spin-off taking effect, the MWFS Business Division previously belonging to METRO Group will form an independent MWFS Group and, thus, leave METRO Group. The CE Business Division will remain with METRO AG. Immediately after the spin-off taking effect, METRO AG will change its company name to "CECONOMY AG". The Corporate Center CE will be extended up to 80 persons and, in the future, will provide all key services for the management of a listed management holding. After the spin-off, the previously existing internal points of contact within the company or the group between the business activities of the MWFS Business Division and the CE Business Division will be continued in the form described in Section X.

The CE Business Division basically consists of the Media-Saturn sales line. The Media-Saturn sales line is located within METRO Group in Media-Saturn-Holding GmbH and its subsidiaries. Also after the spin-off, METRO AG will continue to participate in Media-Saturn-Holding GmbH via METRO Kaufhaus und Fachmarkt Holding GmbH with a majority interest of 78.38 percent. The influence of METRO AG remains unchanged by the

spin-off (Section II.4.c)). Therefore, there will be no structural changes for the business activity of the CE Business Division resulting from the spin-off.

Based on the direct majority interest in Media-Saturn-Holding GmbH, the future "CECONOMY AG" will be Europe's largest trading company in the area of Consumer Electronics. In the medium- and long-term, it is planned to establish or acquire further subsidiaries besides Media-Saturn-Holding GmbH in the broad sector of Consumer Electronics, including services and, thus, to expand the current business in the future.

As of 30 September 2016, in the 2015/16 financial year the approximately 65,000 employees of the CE Business Division generated annual sales of almost EUR 22 billion in more than 1,000 branches in 15 European countries. In 2015, the company had the market leadership in nine of these 15 countries, making it a relevant and valued partner for its suppliers. The two well-known brands "Media Markt" and "Saturn" also contribute to this in a positive way.

The focus of the sales is Germany, forming part of the DACH segment and including the business in the countries Austria, Switzerland and Hungary. Other relevant countries are Italy, Spain and the Netherlands, representing a relevant part of the Western and Southern Europe segment. In the Eastern Europe segment, Poland is generating the largest individual sales. This also includes Russia and Turkey. Others/Consolidation comprises less relevant company interests as well as overhead costs of the holding.

The large and loyal customer base of the Media-Saturn sales line as well as its geographically diversified and comprehensively modernised network of stores, which has been fully adjusted to the requirements of the multi-channel approach, contributes to the great success of the future "CECONOMY AG". In this context, multi-channel approach means that customers can purchase their products not only in the stores, but they also have the possibility to do so via the company's proprietary webshop or mobile shops and they can either have the products delivered home via a number of delivery options or they can reserve online, pay online and pick up in the branch ("Pick-up"). Furthermore, the large network of stationary stores provides ideal framework conditions to offer connected services such as device set-up, training, repair or warranty extension.

In the online business (including Pick-up), in the 2015/16 financial year the CE Business Division generated sales of almost EUR 2 billion, making the company group that will be led by CECONOMY AG after the demerger one of the largest online companies in Europe in this channel. At approximately EUR 1.3 billion, the sales in the Services area were EUR also an integral part of the business and represent – together with the online business – two of the important drivers and growth potentials of the business.

The specified competitive advantages differentiate the business activities of the future "CECONOMY AG" from so-called 'online pure players', companies that do not have a branch network or only an insignificant one and offer their products almost exclusively via the Internet. This also differentiates the company from the many, often considerably smaller competitors or purchasing associations having difficulties to compete with the variety of the range of products and services.

2. Asset position, financial condition and results of operations of METRO AG and METRO GROUP after the spin-off

Presented below are the asset position, financial condition and results of operations of METRO AG as well as METRO Group upon the spin-off taking effect. After the spin-off, the METRO Group will no longer include the MWFS Business Division, but only the CE Business Division. METRO AG, which will be renamed into "CECONOMY AG", will remain the parent company and management holding of the future METRO Group.

The following information about the asset position, financial condition and results of operations of the CE Business Division is based on the voluntarily prepared unaudited Combined CE Financial Information of the financial year ending on 30 September 2016 showing the economic activities of the CE Business Division as at 30 September 2016 (see Section VII.1.b)(1)). Therefore, the total interest of 10 percent in the MWFS AG is not shown in the Combined CE Financial Information. The interest with 1 percentage point is held directly by METRO AG and 9 percentage points indirectly by one of the subsidiaries remaining in the CE Business Division. As costs of the Corporate Center CE, the actually incurred costs of METRO AG before the spin-off were allocated, in particular according to headcounts. After the spin-off, the Corporate Center will be further extended to be able to provide all major services for the management of a listed holding, thus, an increase of expenses from currently EUR 20 million p.a. to approximately EUR 40 million p.a. has to be expected. The Combined CE Financial Information also contains the cash funds required for dividend payments proposed for the 2015/16 financial year as well as claims to be realised prior to this against companies of the MWFS Business Division in the total amount of EUR 327 million. Where such circumstances are relevant for the asset position, financial condition and results of operations of METRO AG and METRO Group after the spin-off, this will be explained in the following text.

For the preparation of the Combined CE Financial Information, generally, the same accounting principles and measurements were used which also form the basis for the METRO consolidated financial statements. To the extent this complies with IFRS, the

method of continuation of carrying amounts was used. Due to rounding, it is possible that individual figures in the following tables do not add up to the exact totals specified. Statements regarding medium-term ambitions are made before portfolio measures and based on the assumption of stable foreign exchange rates.

Asset position

The asset position of the CE Business Division results from the assets side of the combined CE balance sheet as at 30 September 2016 shown in the following:

Assets in EUR million	30/09/2015	30/09/2016
Non-current assets	1,710	1,843
Goodwill	513	525
Other intangible assets	93	77
Property, plant and equipment	815	881
Investment properties	0	0
Financial assets	14	73
Company interests accounted for using the equity method	0	5
Other financial and other assets	44	51
Deferred tax assets	231	231
Current assets	5,600	5,260
Inventories	2,322	2,393
Trade receivables	278	326
Financial assets	1	0
Other financial and other assets	1,902	1,679
Income tax receivables	118	93
Cash and cash equivalents	979	769
Total assets	7,310	7,103

The total assets of the CE Business Division were EUR 7.1 billion as at 30 September 2016 (30/09/2015: EUR 7.3 billion).

In the non-current assets, in the 2015/16 financial year, there was a small increase of EUR 133 million to EUR 1.8 billion. An increase in the amount of EUR 58 million resulted from the addition of the approximately 6.61 percent interest in METRO PROPERTIES GmbH & Co. KG to the financial assets. Deferred tax assets in an amount of approximately EUR 173 million (as at 30 September 2016) will have to be de-recognised and charged to income upon approval by the general meeting of METRO AG to the spin-off of the MWFS Business Division.

The current assets were reduced by EUR 340 million to EUR 5.3 billion in the 2015/16 financial year (30/09/2015: EUR 5.6 billion). The other current financial and other assets

– like cash and cash equivalents – decreased due to the termination of the finance relationship between the CE Business Division and the MWFS Business Division. The financial liabilities decreased correspondingly to a large extent. As at 30 September 2016, for the first time, in the current other financial and other assets the claims against the MWFS Business Division mentioned at the beginning were additionally recognised in the balance sheet in the amount of EUR 221 million. In addition, under the item cash and cash equivalents (in total EUR 769 million), EUR 108 million of METRO AG are included. These two items are mainly earmarked for the payment of the proposed dividend in the amount of EUR 327 million for the 2015/16 financial year.

The asset position shown as at 30 September 2016 does not reflect the 10 percent interest in MWFS AG. This remaining interest will be reported in the balance sheet after de-consolidation of the MWFS Business Division at fair value (see Section VII.1.b)). On the basis of the business valuations prepared by an auditing firm as at 30 September 2016 for the establishment of the value relation, an amount of EUR 0.89 billion would have to be recognised. The fair value relevant at the time of the spin-off taking effect may differ from this.

In the 2015/16 financial year, at EUR 406 million the investments were EUR 150 million above the investments of the previous year. In the medium term, investments in an amount of approx. 1.5 percent of sales are expected.

The impact of the hive-down on the asset position and financial condition as reported in the balance sheet of METRO AG and of METRO Group is shown in Section VII.1.

Capital structure

The capital structure of the CE Business Division results from the liabilities side of the combined CE balance sheet as at 30 September 2016 shown in the following:

Liabilities		
EUR millions	30/09/2015	30/09/2016
Equity	205	360
Net assets allocated to shareholders	497	714
Other components of equity	-252	-332
Non-controlling interests	-40	-22
Long-term liabilities	901	916
Provisions for pensions and similar commitments	718	769
Other provisions	89	62
Debt	17	16
Other financial and other liabilities	63	64

Deferred tax liabilities	14	5
Short-term liabilities	6,204	5,827
Trade payables	4,548	4,502
Provisions	126	170
Debt	406	2
Other financial and other liabilities	1,044	1,110
Income tax liabilities	80	43
	7,310	7,103

As at 30 September 2016, the equity of the CE Business Division amounted to EUR 360 million (30/09/2015: EUR 205 million). The equity ratio was 5.1 percent (30/09/2015: 2.8 percent).

Upon the spin-off taking effect, the following changes will occur or have occurred in the equity: EUR 327 million will probably be used for the payment of the proposed dividend for the 2015/16 financial year. In addition, the equity will be reduced by an amount of EUR 173 million (as at 30 September 2016) due to the derecognition of the deferred tax assets after the resolution by the general meeting regarding the spin-off. The equity will increase due to the 10 percent interest in the MWFS AG. Had the aforementioned changes including the dividends anticipated to be paid already occurred as at the Relevant Demerger Date, 1 October 2016, on the basis of the aforementioned assumptions, the equity would have increased to EUR 0.75 billion and the equity ratio to approx. 10 percent. Upon the spin-off taking effect, market conditions and the further course of business may result in differing values.

As at 30 September 2016, the non-current liabilities of the CE Business Division amounted to EUR 0.9 billion (30/09/2015: EUR 0.9 billion). In particular, there were pension liabilities at 30 September 2016 in an amount of EUR 769 million in favour of active and inactive employees of the companies of the CE Business Division as well as in favour of all employees of the CE Branch of Activity of METRO AG active upon expiry of 30 September 2016 and in favour of all employees who have already left the MWFS Branch of Activity of METRO AG as at 30 September 2016. In the course of the demerger, all financial liabilities of METRO AG recognised in the balance sheet are allocated to the MWFS Business Division, with the consequence that as at 30 September 2016 the CE Business Division only had non-current financial liabilities in an amount of EUR 16 million (with regard to financing after the demerger see the following subparagraph on liquidity as well as Section VII.3.d)(1)). As at 30 September 2016, the current liabilities amounted to EUR 5.8 billion (30/09/2015: EUR 6.2 billion). In particular, due to the allocation of the financial liabilities of METRO AG recognised in the balance sheet to the MWFS Business Division, the CE Business Division only had short-term financial debt in an amount of EUR 2 million. On aggregate, compared to 30 September

2015 the debt-to-equity ratio declined by 2.3 percentage points to 94.9 percent. Upon the demerger taking effect, based on the assumptions specified above in respect of the equity capital, the debt-to-equity ratio will amount to approx. 90 percent.

As at 30 September 2016, net surplus was at EUR 0.8 billion (30/09/2015: EUR +0.6 billion):

Net debt		
EUR millions	30/09/2015	30/09/2016
Cash and cash equivalents according to balance sheet	979	769
Short-term investments	0	0
Debt (including finance leases)	423	18
Surplus (+) / net debt (-)	556	751

The management board of METRO AG seeks to ensure that, after the demerger of the METRO GROUP, METRO AG fulfils the requirements for an Investment Grade Rating (cf. Section VII.3.d)(1)).

Liquidity

In the 2015/16 financial year a cash inflow of EUR 393 million (2014/15: EUR +333 million) was generated, from the business activities of the CE Business Division. For investment activities, a cash outflow of EUR 15 million (2014/15: EUR 48 million) is recorded. Compared to the previous year, this results in an increase of the cash flow before financing activities by EUR 93 million to EUR 378 million. The cash flow from financing activities shows a cash outflow of EUR 587 million (2014/15: EUR -170 million).

Cash flow statement		
EUR millions	2014/15	2015/16
Cash flow from operating activities	333	393
Cash flow from investing activities	48	15
Cash flow from financing activities	170	587
Total cash flow	115	209

In the future, METRO AG will receive dividend payments from MWFS AG from its interest in MWFS AG (cf. regarding dividend policy of MWFS Group after spin-off Section VIII.2).

Following the spin-off, METRO AG and the CE Business Division will continue to have sufficient access to all relevant sources of liquidity. The goal is to conclude a loan agreement with an international banking syndicate regarding a revolving credit facility in the amount of EUR 500,000,000 and, together with bilateral loans, to have a total credit line available in the amount of EUR 1,000,000,000. Additionally, METRO AG will be able to borrow funds via the debenture and bond market at any time. Besides, there are also facilities of MWFS AG in the total amount of EUR 55 million available (cf. Section X.4).

In the medium term, a free cash flow (defined as EBITDA after changes in operating net assets, less cash investments) in an amount of 60 to 70 percent of EBITDA is envisaged.

Results of operations

The following table shows the income statement for the CE Business Division for the 2015/16 financial year:

EUR millions	2014/15		2015/16	
	As reported	Before special items	As reported	Before special items
External sales	21,738	21,738	21,870	21,870
EBITDA	573	663	619	719
EBIT	313	420	312	466
Financial income (expense), net	-49	-48	-21	-21
EBT	264	372	291	445
Taxes	-175	-184	-199	-217
Profit or loss for the period	89	188	92	228
Profit or loss for the period attributable to non-controlling interests	31	52	46	75
Profit or loss for the period attributable to shareholders	58	136	46	153
Earnings per share	0.18	0.42	0.14	0.47

The reported external sales of the CE Business Division increased by 0.6 percent to EUR 21.9 billion. In the medium term, an average annual growth rate of over 3 percent is striven for.

In the 2015/16 financial year, the EBITDA of the CE Business Division increased to EUR 619 million (2014/15: EUR 573 million). This includes exceptional items in the amount of EUR 100 million (2014/15: EUR 90 million) which are by EUR 10 million above the previous year's figure. These relate to numerous measures for restructuring and increase in efficiency. Before exceptional items, the EBITDA increased from EUR 663 million to EUR 719 million. In the medium term, the management board of METRO AG strives for a development of the EBITDA margin 5 percent is.

In the 2015/16 financial year, the EBIT of the CE Business Division reached a total of EUR 312 million (2014/15: EUR 313 million). This includes exceptional items in an amount of EUR 154 million (2014/15: EUR 107 million). The EBIT before exceptional items increased from EUR 420 million to EUR 466 million.

The earnings for 2015/16 contain positive contributions in an amount of approx. EUR 35 million from the capitalisation of pension commitments.

Due to slightly increased interest income as well as fewer interest expenses and a less negative other financial income (expense), net, the financial income (expense), improved to EUR -21 million (2014/15: EUR -49 million). In the 2015/16 financial year, there were no exceptional items in the financial income (2014/15: EUR 2 million).

In particular, due to the improved earnings before taxes of EUR 291 million (2014/15: EUR 264 million), the tax expenses increased to EUR 199 million (2014/15: EUR 175 million). Before special items, the earnings before taxes amounted to EUR 445 million (2014/15: EUR 372 million) and resulted in tax expenses before special items of EUR 217 million (2014/15: EUR 184 million).

Income taxes		
EUR millions	2014/15	2015/16
Current taxes	187	178
of which Germany	(115)	(119)
of which international	(72)	(59)
of which tax expenses/income for the current period	(181)	(169)
of which tax expenditures/income for previous periods	(6)	(9)
Deferred taxes	-12	21
of which Germany	(-9)	(-8)

of which international	(-3)	(29)
	175	199

In the 2015/16 financial year, the tax quota applicable to the CE Business Division amounted to 68.4 percent (2014/15: 66.3 percent). Before special items, the quota was at 48.8 percent (2014/15: 49.5 percent). This tax quota reflects the ratio between the income tax expenses reported and the earnings before tax. In the medium term, it is intended to reduce the tax quota before special items towards 40 percent.

Of the corporation tax loss carry-forwards existing in METRO AG in the amount of approx. EUR 2.6 billion and trade tax loss carry-forwards in the amount of approx. EUR 3.5 billion as at 30 September 2016, the predominant part will expire upon the spin-off taking effect (cf. Section VII.2.b)(3)). The exact extent depends on the ratio of the common values of the Spin-Off Assets in relation to the remaining CE Assets. For an assumed value ratio of e.g. 25 (remaining CE Assets) to 75 (Spin-Off Assets), 25 percent of each of the specified loss carry-forwards remain. Due to the amount of the currently existing fiscal losses carried forward of METRO AG, the latter assumes that even after the demerger such losses carried forward will remain in the range of hundreds of millions of euros and will continue to be usable at METRO AG after the demerger.

In the 2015/16 financial year, the earnings for the period of the CE Business Division reached an amount of EUR 92 million (2014/15: EUR 89 million). After deduction of non-controlling interests, the profit for the period amounts to EUR 46 million (2014/15: EUR 58 million). Before special items, the profit for the period amounted to EUR 228 million (2014/15: EUR 188 million), of which after deduction of non-controlling interests an amount of EUR 153 million (2014/15: EUR 136 million) remained.

In the 2015/16 financial year, the CE Business Division achieved earnings per share of EUR 0.14 (2014/15: EUR 0.18). The calculation in the reporting period was to be based on an unchanged weighted number of 326,787,529 shares. To this number of shares, the profit for the period attributable to the shareholders was distributed. No dilutive effect from so-called potential shares existed either in the 2015/16 financial year or in the previous year. At EUR 0.47, the earnings per share before special items are EUR 0.05 above the previous year's figure (2014/15: EUR 0.42).

The aforementioned numbers show the financial years 2014/15 and 2015/16. As at 1 October 2016, the following circumstances, in particular, will have an impact on the results of operations of the CE Business Division: The Corporate Center CE will be extended further to be able to provide all major services for the management of a holding company listed on stock exchanges; thus, an increase of expenses from currently

EUR 20 million p.a. to approx.. EUR 40 million p.a. has to be expected. Besides, in future, METRO AG will receive dividend payments from MWFS AG from its interest in MWFS AG as well as earnings from its 6.61 percent interest in METRO PROPERTIES GmbH & Co. KG.

Ability to pay dividends and dividend policy

Also after the spin-off, METRO AG plans to distribute an attractive dividend. According to the current planning, it is to be expected that in the short and medium term more than EUR 0.17 will be distributed (cf. Section VI.2). In the medium to long term, a distribution quota of approx. 45 to 55 percent of the earnings per share is intended. Depending on the development of the economy, including the existence of profitable investment possibilities, the dividend may differ up as well as down.

Regarding the dividend policy of METRO AG, it needs to be considered that in the future METRO Group the Media-Saturn sales line will be positioned in and under Media-Saturn-Holding GmbH, in which an external partner, Convergenta Invest GmbH, is also holding an interest of 21.62 percent. Pursuant to the articles of association, shareholder resolutions of Media-Saturn-Holding GmbH require a majority of more than 80 percent of the votes cast. This means that Convergenta Invest GmbH may theoretically block shareholder resolutions of Media-Saturn-Holding GmbH with a blocking minority (cf. already Section II.4.c)). However, the articles of association of Media-Saturn-Holding GmbH stipulate the principle of full distribution. Against this background, an improper prevention of a dividend would be prohibited in the opinion of the management boards of METRO AG and MWFS AG and would only last for a limited time anyway.

The dividends received by METRO Kaufhaus und Fachmarkt Holding GmbH of Media-Saturn-Holding GmbH (gross before taxes) for the 2012/13 financial year amounted to EUR 134.8 million, in the 2013/14 financial year EUR 67.1 million, in the 2014/15 financial year EUR 40.5 million and in the 2015/16 financial year due to circumstances classified as special items to EUR 0.

In the opinion of the management boards of METRO AG and MWFS AG, METRO AG is solidly financed upon the spin-off taking effect and would be able, in the short- or medium-term, to pay a dividend to the shareholders of METRO AG in line with the dividend policy described above also without dividend distributions by Media-Saturn-Holding GmbH. Existing reserves at METRO Kaufhaus und Fachmarkt Holding GmbH could be used for this, in particular.

3. Legal structure of METRO AG and METRO Group after the spin-off

a) Shareholder structure

Neither the hive-down taking effect nor the spin-off taking effect have a direct impact on the shareholder structure of METRO AG.

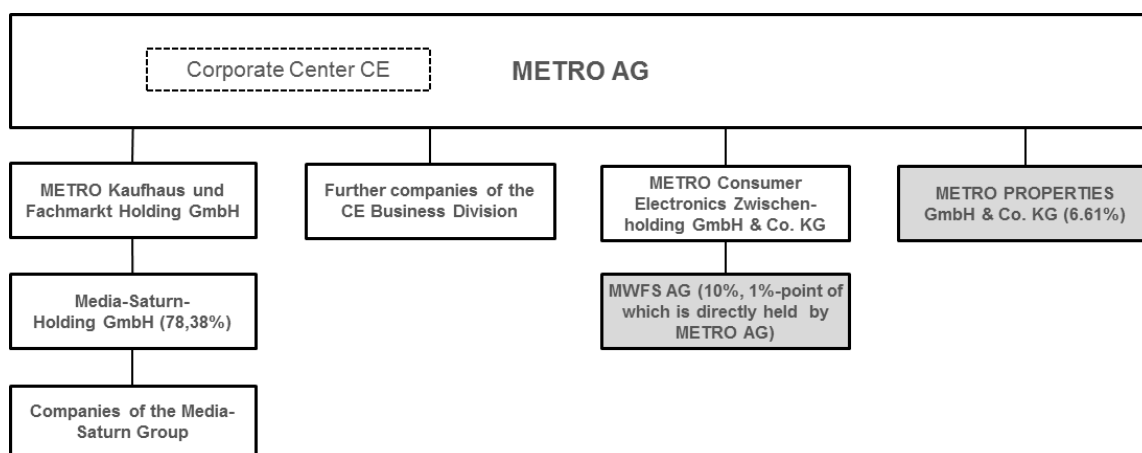
Each of the three main shareholders of METRO AG has assumed a holding obligation (so-called lock-up) with a content customary in the market in respect of the METRO Shares held by it and has also submitted itself to certain other disposal restrictions.

b) Group structure

Upon the spin-off taking effect, METRO Group is left with a holding structure with METRO AG as parent company of METRO Group. The only important operative asset will be the CE Business Division. The major part of the CE Business Division will be held by Media-Saturn-Holding GmbH, in which METRO AG – via METRO Kaufhaus und Fachmarkt Holding GmbH – is holding a majority interest of 78.38 percent. The remaining shares in Media-Saturn-Holding GmbH are held by Convergenta Invest GmbH, whose shares, in turn, are ultimately held by members of the Kellerhals family. A control and profit and loss transfer agreement exists between METRO AG as controlling company and METRO Kaufhaus und Fachmarkt Holding GmbH as dependent company. There is no profit and loss transfer agreement between METRO Kaufhaus und Fachmarkt Holding GmbH and Media-Saturn-Holding GmbH. The articles of association of Media-Saturn-Holding GmbH as well as the agreements existing with the co-shareholder will continue to exist unchanged also after the split of METRO GROUP (cf. Section II.4.c)).

Directly after the spin-off taking effect, besides the CE Business Division, METRO AG will be holding (directly and indirectly) an interest in the amount of approx. 10 percent in MWFS AG. Thereof, approx. 1 percent point will be subject to a retention period of seven years. In addition, METRO AG will hold an interest of approximately 6.6 percent of the total limited liability capital in METRO PROPERTIES GmbH & Co. KG (cf. also Section X.1).

The following chart shows the future structure and important company interests of METRO Group after the spin-off taking effect (status of shareholding as of 30 September 2016):



c) Articles of association of METRO AG

Due to the spin-off, the articles of association will be changed regarding the company name of METRO AG. In the future, the company name will be "CECONOMY AG" (cf. Section V.12).

Other than that, the split-up of METRO GROUP does not require an amendment of the articles of association of METRO AG. In particular, the capital stock of METRO AG remains unchanged. A reduction of the capital stock is neither required for the hive-down nor the implementation of the spin-off pursuant to § 145 UmwG in conjunction with §§ 229 *et seqq.* AktG (cf. for the impacts of the spin-off on the balance sheet Section VII.1.).

In the 2017 ordinary general meeting, in the course of the split-up, the management board of METRO AG will suggest to the shareholders of METRO AG to adopt a revised version of the articles of association of METRO AG. The details are set out in the invitation for the ordinary general meeting 2017 of METRO AG.

d) Composition of the management board of METRO AG

METRO AG currently has a management board of five members consisting of Messrs. Olaf Koch (Chairman; appointed until 13 September 2018), Pieter C. Boone (appointed until 30 June 2018), Mark Frese (appointed until 31 December 2017), Pieter Haas (appointed until 31 March 2019) and Heiko Hutmacher (appointed until 30 September 2020).

Upon the spin-off taking effect, the composition of the management board will change. The members Mr. Olaf Koch, Mr. Pieter C. Boone and Mr. Heiko Hutmacher will resign from their offices with effect of the spin-off taking effect and they will leave the manage-

ment board. The relevant service agreements will be terminated by severance agreements.

Mr. Pieter Haas is intended to become the new chairman of the management board. The appointment of Mr. Mark Frese is to be extended until 31 December 2020. The current General Counsel and Chief Compliance Officer of METRO Group, Dr. Dieter Haag Molkenteller, is to be appointed to the management board of METRO AG upon the spin-off taking effect.

The following is a brief overview over the proposed areas of responsibility:

Name	Proposed area of responsibility
Pieter Haas	<p>Chief Executive Officer, Chairman of the Management Board and Labour Director</p> <p>In particular responsible for the areas Media-Saturn, Strategy, Business Development, Portfolio Management, Value Creation Planning, Communications, Public Policy, Human Resources, Sustainability, Innovation, Digital, Audit and Retail Media Group</p>
Mark Frese	<p>Chief Financial Officer</p> <p>In particular responsible for the areas Accounting, Reporting, Treasury, Investor Relations, M&A, Pensions, Organisational & IT Support, Tax and Supply Chain</p>
Dr. Dieter Haag Molkenteller	<p>Chief Legal & Compliance Officer</p> <p>In particular responsible for the areas Corporate Law, Corporate Office, Competition & Antitrust, Data Protection, Compliance and Risk Management, including the GRC Committee.</p>

The service agreements of the acting management board members will be adjusted in connection with the re-structuring of the management board. It is intended that the adjusted agreements as well as the newly concluded service agreement with Dr. Dieter Haag Molkenteller will comply with the requirements of the German Corporate Governance Code. With economic effect as of 1 October 2016, the target remuneration for management board members payable to Mr. Pieter Haas was increased in order to reflect his function with respect to the CE Branch of Activity and his future role as chairman of the management board of METRO AG after the taking effect of the hive-down (cf. Section XII.1.v)). The same will be done in the case of Dr. Dieter Haag Molkenteller, cur-

rently still employed as General Counsel and Chief Compliance Officer of METRO AG. Against the backdrop of the split-up of METRO GROUP, in November 2016 the supervisory board of METRO AG decided to conduct a general amendment of the remuneration system of the management board, in order to align the remuneration system specifically with the CE Business Division. The amended remuneration system will be introduced as of the spin-off taking effect and, pursuant to § 120 para. 4 sent. 1 AktG, will be submitted to the 2017 ordinary general meeting of METRO AG for approval.

e) Composition of the supervisory board of METRO AG

After the spin-off, the supervisory board of METRO AG will continue to be subject to the MitbestG (see Section XI.5.) and consist of 20 members, of which, pursuant to § 96 para. 2 AktG, 30 percent will be women and 30 percent will be men. However, in the course of the spin-off, there will be a number of personnel changes:

On the shareholders' side, the following members have resigned from their office on 8 December 2016, subject to the condition precedent of the spin-off taking effect:

- Mr. Jürgen B. Steinemann (Chairman of the supervisory board)
- Mrs. Gwyn Burr
- Mr. Mattheus P. M. (Theo) de Raad

Independently of the spin-off, Prof. Dr. oec. Dr. jur. Ann-Kristin Achleitner will not be available for re-election in the general meeting of 6 February 2017.

The supervisory board of METRO AG will suggest to the general meeting of METRO AG on 6 February 2017 – besides the re-election of Dr. Florian Funck and the election of Mrs. Regine Stachelhaus – to appoint Dr. Bernhard Düttmann, Mrs. Julia Goldin and Mrs. Jo Harlow, subject to the condition precedent of the spin-off taking effect, as substitutes for the aforementioned members, retiring with effect as of the spin-off taking effect. Also after the spin-off, Dr. jur. Hans-Jürgen Schinzler will be a member within the meaning of § 100 para. 5 AktG.

From the side of the employee representatives, there will be changes due to the fact that employee representatives who are losing their eligibility will automatically retire from the supervisory board pursuant to § 24 para. 1 MitbestG. Due to the spin-off, the following employee representatives will no longer belong to companies of METRO Group, but exclusively to companies of MWFS Group and will cease to be eligible and, thus, to hold their office:

- Mr. Werner Klockhaus
- Mr. Thomas Dommel
- Mr. Andreas Herwarth
- Mrs. Susanne Meister
- Dr. Angela Pilkmann
- Mr. Xaver Schiller

The successors for the retiring employee representatives are to be appointed by court. If possible, the appointment by the court is to occur immediately after the spin-off taking effect.

It is proposed – subject to a respective resolution by the supervisory board – that the previous shareholder member of the supervisory board, Mr. Jürgen Fitschen, will take over the chair in the supervisory board of METRO AG.

f) Remuneration programmes and employee incentive programmes

In order to facilitate continued participation of the members of the management board as well as selected executives of METRO Group in the long-term and sustainable business success of METRO Group, it is intended to initiate a new LTI Programme for METRO Group. It is intended to introduce a Performance Share Plan. The payment is to depend primarily on a component based on the shareholder return as well as the development of the earnings per share. The LTI Programme of METRO Group is intended to have a 3-year performance period. Besides, the beneficiaries are intended to be obliged to an investment in METRO Shares.

To the extent that the beneficiary members of the management board or executives of future METRO Group are not yet holding vested rights under parts of the tranches of the LTI Programmes so far existing at METRO AG, the non-vested part is to be continued in the course of an LTI roll-over at METRO AG, subject to the conditions described in Section VII.3.f).

X. Relationships between METRO GROUP and MWFS Group after the demerger

Certain legal and economic relationships between METRO GROUP and the future MWFS Group will continue to exist also after the demerger taking effect. These relationships will be described in the following:

1. Relationships under company law

Immediately after the demerger taking effect, METRO AG will hold a (direct and indirect) interest in MWFS AG amounting to approx. 10 percent. METRO AG will thus be one of the biggest single shareholders in MWFS AG. The voting rights pertaining to the common shares held by METRO AG will be exercised by the management board of METRO AG. However, in light of the significant interests that will be held in MWFS AG in the future by the shareholder groups Haniel (approx. 22.496 percent of voting rights), Schmidt-Ruthenbeck (approx. 14.194 percent of voting rights) and Beisheim (approx. 8.19 percent of voting rights) according to the voting rights reports pursuant to the German Securities Trading Act (WpHG) at the time of preparation of this report, its voting rights will not put METRO AG in a position to materially influence MWFS AG immediately after the demerger. The interest is not of an entrepreneurial nature, but solely serves the purpose of funding METRO AG (only 1 percentage point of the interest is subject to a blocked period, cf. Sections VII.2.a) and b)). In the Group Separation Agreement, under a holding obligation (so-called "Lock up") common in the market, METRO AG undertook not to sell any MWFS Shares for a period of six months after the first trading day for MWFS Shares on the stock exchange (for such part of the interest for which a vesting period applies, the period extends to seven years as of 30 September 2016, 12:00 p.m.).

As a result of the contribution and transfer by notarial deed of 19 September 2016, MWFS AG holds a limited partnership interest in METRO PROPERTIES GmbH & Co. KG amounting to approx. 92.9 percent of the entire limited liability capital. The limited partnership interest remaining with METRO AG after the contribution amounting to just over 6.6 percent of the entire limited liability capital will remain with METRO AG also after the demerger taking effect.

METRO AG and MWFS AG concluded an option agreement with respect to the remaining limited partnership interest of METRO AG on 19 September 2016. In this agreement, METRO AG grants a call option to MWFS AG and MWFS AG grants a put option to METRO AG with respect to such limited partnership interest of METRO AG. The options may only be exercised within certain time frames of 6 months in each case. At the earliest, the call option may be exercised 3 years after the demerger taking effect, while the

put option may, at the earliest, be exercised 7 years after the demerger taking effect. The purchase price equals the proportionate company value of METRO PROPERTIES GmbH & Co. KG at the time of receipt of the option exercise notice. The company value will be calculated by an auditor commissioned by both Parties in accordance with the IDW S1 standard.

It is intended that MWFS will acquire an interest in an indirect subsidiary of METRO AG itself or via a subsidiary. Such indirect subsidiary is intended to establish and monetarise digital target group segments by evaluating customer behaviour as a joint marketing company for different dealers in Europe. The precise form of the cooperation is yet to be determined.

2. Service agreements

Since the splitting up of the Corporate Center of METRO AG as of the expiry of 30 September 2016, the MWFS and CE Business Divisions provide each other with specific Corporate Center services at arm's length remuneration conditions (cf. Section IV.1.c)(2)). In the Demerger Agreement, METRO AG and MWFS AG agreed to conclude a separate service agreement immediately after the hive-down taking effect relating to each of the services performed until the hive-down taking effect and to be performed in the future. It is intended that the service agreements be concluded at arm's length remuneration conditions. The scope of services to be agreed for the period after the Relevant Hive-Down Date will be based on the relevant needs of each of the two companies after the demerger taking effect in accordance with the legal framework conditions for the performance of the services. It is intended that each of the two companies will only use the services of the respective other company for a short transitional period.

After the demerger taking effect and for a transitional period, companies of MWFS Group will perform information technology services for METRO GROUP. Such performance will be based on service agreements between METRO AG and METRO Systems GmbH as well as METRO Global Business Services Pvt. Ltd. concluded before the end of 30 September 2016 and intended to continue to apply also after the demerger taking effect. The purpose of the agreement with METRO Systems GmbH is to ensure that METRO AG and its subsidiaries will be supplied with the material IT functions. More precisely, the agreement covers IT-related service functions, including support and purchasing services, server and database functionalities, domain administration, network architecture, telephone, video and other services. The purpose of the agreement with METRO Global Business Services Pvt. Ltd. is to additionally provide METRO AG with

various SAP functions. The invoicing for the services will be conducted on an arm's length basis.

In addition to the above-mentioned agreements, various other service agreements between companies of the future METRO GROUP and the future MWFS Group were concluded which govern mutual support services to be performed also after the demerger taking effect. In particular, the agreements cover commercial, infrastructural and technical facility management services, travel agency services as well as insurance brokerage and intermediary services. The agreements concluded for the time until the demerger taking effect relating to the performance of (administrative) pension services by METRO AG for the MWFS Business Division are intended to be continued for a transitional period also after the demerger taking effect, if required. Any and all services agreed on between both groups are intended to be performed at arm's length remuneration conditions.

3. Rental agreements

Rental agreements relating to business properties were concluded between MWFS group companies (as landlords) and METRO GROUP companies (as tenants) at arm's length remuneration conditions which will continue to apply also after the demerger taking effect. Such agreements cover a total of approx. 30 properties.

4. Loan agreements

As a bridge financing, a company that is part of the MWFS Business Division is intended to grant loans in an amount of up to EUR 55 million to METRO AG on an arm's length basis (cf. Section XII.2.m)).

XI. Consequences of the demerger for the employees and their representative bodies

Below, the consequences of the demerger for the employees and their representative bodies will be described (with regard to which a distinction must be made between the consequences of the hive-down for the employees and their representative bodies and the consequences of the spin-off for the employees and their representative bodies). The hive-down entails a transfer of enterprise (*Betriebsübergang*) pursuant to § 613a of the German Civil Code ("**BGB**") and a change of the employer. Although a spin-off does not entail a transfer of enterprise and a change of the employer, it has consequences for the employees and their representative bodies as MWFS AG will – by means of the spin-

off of the Spin-Off Assets for the benefit of MWFS AG – leave METRO AG and form an independent company listed on German stock exchanges thereafter.

1. Changes to the operating organisation

Currently, the operational activities of METRO AG are divided into two branches of activity, i.e. the CE Branch of Activity and the MWFS Branch of Activity. The MWFS Branch of Activity will be transferred to MWFS AG (so far a subsidiary of METRO AG) in accordance with § 613a BGB. The CE Branch of Activity will remain with METRO AG as independent operational activities.

Upon the hive-down taking effect, the operational activities of METRO AG will be divided under works constitution law: The division under works constitution laws results in the creation of two separate independent operational activities which will exist in two separate companies: the CE Operational Activities at METRO AG ("**CE Operational Activities**") and the MWFS operational activities at MWFS AG ("**MWFS Operational Activities**"). Pursuant to §§ 111 *et seqq.* of the German Works Constitution Act (*Betriebsverfassungsgesetz* – "**BetrVG**"), it is required that a reconciliation of interests be negotiated so that a division under works constitution law can be conducted. On 8 November 2016, METRO AG and its works council agreed on a reconciliation of interests that governs the division under works constitution law of the previous operational activities of METRO AG at the time of the hive-down taking effect into the two independent operational activities of the CE Operational Activities and the MWFS Operational Activities, and mostly contains provisions regarding the separate operating organisation and the separate management of both operational activities, the allocation of employees to the two operational activities and the responsibility of METRO AG's works council.

The spin-off will not have any effect on the operating organisation of METRO AG and its subsidiaries.

2. Individual legal consequences for the employees

a) Employment relationships

As at 30 September 2016, approx. 1,100 employees were employed by METRO AG, 1,050 of which in the MWFS Branch of Activity and approx. 50 in the CE Branch of Activity. MWFS AG currently has no operational activities and does not employ any employees. As at 30 September 2016, approx. 65,000 employees were employed by the (national and international) subsidiaries of METRO AG attributable to the CE Business Divi-

sion while approx. 152,000 employees were employed by the (national and international) subsidiaries attributable to the MWFS Business Division.

Upon the hive-down taking effect, all employment relationships entered into with METRO AG employees that are allocated to the MWFS Branch of Activity at that time will transfer to MWFS AG together with all rights and obligations, unless the employees affected object to such transfer pursuant to § 613a para. 6 BGB. The contractual working conditions, including any company practices, comprehensive commitments and uniform provisions, of the transferred employment relationships will not be changed by the hive-down. The transferred employment relationships will continue with MWFS AG by operation of law, with existing periods of service being taken into account. The relevant place of work will not change as a consequence of the transfer of employment relationships.

METRO AG's employees allocated to the MWFS Branch of Activity will be informed about the hive-down, the reasons for the hive-down and the associated consequences pursuant to § 324 UmwG in conjunction with § 613a para. 5 BGB. Within one month of receipt of this information, the employees affected may exercise their right to object to the transfer of their employment relationships to MWFS AG pursuant to § 613a para. 6 BGB. The employment relationships of such employees who object to the transfer of employment relationships to MWFS AG in accordance with § 613a BGB will not be transferred to MWFS, but remain with METRO AG. Employees who object to the transfer of their employment relationships to MWFS AG must expect to become subject to a dismissal due to operational reasons.

The termination of the employment relationship of an employee by the employer based on the transfer of the MWFS Branch of Activity to MWFS AG is invalid pursuant to § 324 UmwG in conjunction with § 613a para. 4 BGB. The right to terminate for other reasons remains unaffected pursuant to § 613a para. 4 sent. 2 BGB.

The employment relationships of the employees to be allocated to the CE Branch of Activity will not be affected by the hive-down. They will continue to exist with METRO AG. The hive-down has no consequences for the employment relationships and the employment conditions of employees employed in the subsidiaries of MWFS AG which are transferred by way of the hive-down or in MWFS AG's current subsidiaries or in the subsidiaries of METRO AG.

The employment relationships of the employees of the MWFS Operational Activities, who will have been transferred to MWFS AG by means of the hive-down pursuant to § 613a BGB, will remain unaffected by the spin-off. Equally, the employment relationships of the employees of the CE Business Division of METRO AG and the employment

relationships of the employees of the companies of the future MWFS Group will not be affected by the spin-off, either. Those companies forming part of the Spin-Off Assets do not employ any employees.

b) Company pension schemes

Commitments for benefits under occupational pension schemes granted to employees of METRO AG will be continued after the hive-down takes effect by METRO AG or, to the extent that the employment relationships are transferred to MWFS AG, by MWFS AG, taking into account the vested period of service. This will also apply to vested entitlements to benefits under occupational pension schemes which were acquired by active employees of METRO AG for employment periods that are already completed. Direct commitments, direct insurance commitments as well as commitments settled via Hamburger Pensionskasse von 1905 VVaG or another pension trust or Swiss Life International Pension Fund a.s.b.l., in each case granted to employees of METRO AG, will be continued unchanged. No later than at the time when the hive-down takes effect, both METRO AG and MWFS AG will be members of Hamburger Pensionskasse von 1905 VVaG, and METRO AG and MWFS AG will each have entered into separate agreements with Swiss Life International Pension Fund a.s.b.l. which allow for a continuation of the commitments for benefits under company pension schemes. Pension fund commitments settled via METRO Unterstützungskasse e.V. and granted to employees that remain with METRO AG will be continued unchanged. Since according to the articles of association of METRO Unterstützungskasse e.V. MWFS may not become a member of METRO Unterstützungskasse e.V., it is intended that pension fund commitments settled via METRO Unterstützungskasse e.V. and granted to employees who are transferred to MWFS AG will be continued in the form of a direct commitment as from the time of the hive-down taking effect.

The spin-off will not affect the commitments to company pension benefits made to employees of METRO AG and of the subsidiaries of METRO AG. The commitments will be continued after the spin-off takes effect (also for the employees transferred pursuant to § 613a BGB to MWFS and the employees of the subsidiaries of MWFS AG), taking into account the vested periods of service. The provisions for liabilities under pension commitments will be recognised at METRO AG or MWFS AG, as the case may be. The relevant cover assets will remain with METRO AG or be transferred to MWFS AG by means of the hive-down.

c) Bonus agreements or long-term incentive programmes

The hive-down will have no effects on the bonus agreements or long-term incentive programmes (LTI Programmes, cf. also Section II.2.f)) that apply to certain employees in the operational activities of METRO AG. However, the spin-off will have the following impact on these bonus agreements or LTI Programmes: To the extent that any agreements of METRO AG or its group companies regarding bonus payments rely on financial indicators of METRO AG or of METRO Group in order to determine the bonus factor, the indicators will be adjusted, taking into account the effects of the spin-off (and of the resulting leaving of METRO GROUP by MWFS AG). To the extent that such agreements are works agreements, a corresponding adjustment will be made upon consultation with the competent works council. The impact of the spin-off on LTI Programmes for which the performance period has not yet expired upon the spin-off taking effect is described above (cf. Section VII.3.f)).

3. Consequences for the employees' representative bodies

a) Works councils

The works council, which is currently responsible for both branches of activity (CE Branch of Activity and MWFS Branch of Activity) of METRO AG, will continue to exist for the MWFS Operational Activities of MWFS AG upon the division of the operational activities of METRO AG under works constitution law which will occur upon the hive-down taking effect: The MWFS Operational Activities will continue the operational identity of the current operational activities of METRO AG in Düsseldorf. Therefore, the works council will remain in office at the MWFS Operational Activities of MWFS AG. For the time being, there will be no separate works council for the CE Operational Activities. For the CE Operational Activities, a new works council may be elected after the division of the operational activities of METRO AG under works constitution law which will occur upon the hive-down taking effect. The works council of the operational activities existing at METRO AG prior to the division of operational activities will perform a transitional mandate for the employees of the CE Operational Activities of METRO AG pursuant to § 21a BetrVG until a separate works council is elected for the CE Operational Activities; however, not longer than until the expiry of a six-month period after the division of operational activities. The composition of the works council will not change during the term of the transitional mandate. However, after completion of the transitional mandate, the works council membership of those employees who are not transferred to MWFS AG but remain employees of METRO AG will end automatically.

The spin-off will have no effects on the existing works council at METRO AG. The group works council established at METRO AG will be dissolved with the spin-off taking effect, since due to the spin-off less than 50 percent of the employees employed at the group companies of METRO AG will be represented by works councils. A new group works council may be established at MWFS AG upon the spin-off taking effect.

The spin-off will have no effects on the existence and term of office of the European Works Council existing at METRO AG, but on its composition, since the members of the European Works Council, whose employment relationship will be transferred to MWFS AG or who are employed at subsidiaries of MWFS AG, will cease to be members of the European Works Council. Upon the spin-off taking effect, the European Works Council will no longer be in charge of the employees of MWFS AG and of the employees of its group companies. A new European Works Council may be established at MWFS AG upon the spin-off taking effect. The European Works Council at MWFS AG is intended to correspond to the European Works Council currently existing at METRO AG in terms of composition, organisation and responsibilities, by means of concluding an agreement essentially corresponding to the Euroforum Agreement applicable to the European Works Council of METRO AG.

b) Finance committee

The finance committee existing at METRO AG will continue to exist at MWFS AG after the hive-down.

c) Representative body for severely disabled persons

The representative body for severely disabled persons existing for the operational activities of METRO AG prior to the division under works constitution law will continue to exist at MWFS AG after the hive-down has taken effect. However, the composition will be changed insofar as those members of the representative body for severely disabled persons, who are not transferred to MWFS AG together with the MWFS Operational Activities by way of the hive-down, will cease to hold their office and will remain employees of METRO AG.

After the division of the operational activities under works constitution law in the course of the hive-down, a new representative body for severely disabled persons may be elected in the CE Operational Activities of METRO AG.

Similarly, a group representative body for severely disabled persons may be established at MWFS AG, provided that the applicable statutory requirements are met.

d) General representative bodies for young employees and trainees

There is no representative body for young employees or trainees in the operational activities of METRO AG. Moreover, no group representative body for young employees and trainees exists at METRO AG.

e) Speakers committee

There is no speakers committee in the operational activities of METRO AG. Moreover, no group speakers committee exists at METRO AG.

4. Consequences of the demerger for existing collective and works agreements

a) Collective agreements

METRO AG, which employs staff in Düsseldorf and in Berlin, is a member of Handelsverband Deutschland e.V., an umbrella association of employers' associations, as well as in particular of the employers' associations Handelsverband Nordrhein-Westfalen e.V. and Handelsverband Berlin-Brandenburg e.V., and for this reason METRO AG is bound by the collective agreements entered into between Handelsverband Nordrhein-Westfalen e.V. and Vereinte Dienstleistungsgewerkschaft (ver.di) for the retail sector in North Rhine-Westphalia and the collective agreements entered into between Handelsverband Berlin-Brandenburg e.V. and Vereinte Dienstleistungsgewerkschaft (ver.di) for the Berlin retail sector. In this regard, the hive-down will not result in any changes for employees whose employment relationship is not transferred to MWFS AG.

MWFS AG, due to its operating activities in the past, is also a member of Handelsverband Deutschland e.V., an umbrella association of employers' associations, as well as in particular of the employers' associations Handelsverband Nordrhein-Westfalen e.V. and Handelsverband Berlin-Brandenburg e.V., and for this reason MWFS AG is bound to the collective agreements entered into between Handelsverband Nordrhein-Westfalen e.V. and Vereinte Dienstleistungsgewerkschaft (ver.di) for the retail sector in North Rhine-Westphalia and the collective agreements entered into between Handelsverband Berlin-Brandenburg e.V. and Vereinte Dienstleistungsgewerkschaft (ver.di) for the Berlin retail sector. Accordingly, the collective agreements applicable to the employees who are transferred to MWFS AG at the time when the hive-down takes effect will continue to apply on the basis applicable at the time when the hive-down takes effect. The collective agreements will continue to apply under collective labour law for employees subject to collective agreements. In this respect, the hive-down does not result in any changes for the employees transferred to MWFS AG.

The spin-off will not have any effects on the validity of collective agreements at METRO AG and MWFS AG. Moreover, the spin-off will not have any effects on the validity of collective agreements at the group companies of METRO AG and MWFS AG.

b) Works agreements

Works agreements which apply to the employment relationships of the employees allocated to the CE Branch of Activity under collective labour law at the time when the hive-down takes effect will continue to apply unchanged under collective labour law also after the hive-down has taken effect, regardless of whether or not a new works council for the CE Operational Activities is elected. Works agreements which apply to the employment relationships of the employees allocated to the MWFS Branch of Activity under collective labour law at the time when the hive-down takes effect will continue to apply unchanged under collective labour law also after the hive-down has taken effect.

The spin-off will have no effects on the works agreements applicable to the CE Operational Activities of METRO AG or to the operational activities of its group companies.

c) Group works agreements

The group works agreements in force at METRO AG at the time when the spin-off takes effect will remain in force under collective labour law upon the spin-off taking effect for the operational activities belonging to METRO Group.

The group works agreements in force at METRO AG at the time when the spin-off takes effect will remain in force under collective labour law upon the spin-off taking effect for the operational activities of the company group of MWFS AG that will be created by means of the spin-off, to the extent that the arrangements made in the group works agreements do not require any further affiliation with METRO Group.

5. Consequences of the demerger for company co-determination and the supervisory board

At METRO AG, there is a supervisory board which pursuant to the German Co-Determination Act (*Mitbestimmungsgesetz* – "**MitbestG**") is based on the principle of parity co-determination (ten supervisory board members each as representatives of the shareholders and of the employees, respectively). The spin-off has no consequences for the existence and the size of METRO AG's supervisory board. METRO AG will remain a company with a supervisory board consisting of 20 members subject to the principle of parity co-determination pursuant to the provisions of the MitbestG (ten supervisory board

members each as representatives of the shareholders and of the employees, respectively).

The representatives of the employees on the supervisory board of METRO AG will be elected by the domestic employees of all companies and operational activities of METRO Group. Upon the spin-off taking effect, MWFS AG and all other companies of the MWFS Group created by the spin-off will no longer be group companies of METRO AG, with the consequence that the employees of MWFS AG and any other domestic companies of the MWFS Group created by the spin-off will no longer be entitled to vote for and be elected to the supervisory board of METRO AG, but the supervisory board of MWFS AG. In this respect, the spin-off will affect the composition of the supervisory board: Six of the ten employee representatives on the supervisory board existing at METRO AG belong to the MWFS Branch of Activity, which will be transferred to MWFS AG. The employee relationship with one employee representative (Mr. Andreas Herwarth) will pass to MWFS AG as a result of the hive-down, unless such employee representative objects to the transfer of enterprise. Five additional employee representatives (Mr. Thomas Dommel, Mr. Werner Klockhaus, Mrs. Susanne Meister, Dr. Angela Pilkmann as well as Mr. Xaver Schiller) are employed by subsidiaries of MWFS AG. Upon the spin-off taking effect, the above-mentioned six employee representatives will no longer belong to METRO Group and are thus neither entitled to vote nor to be elected. They will thus retire from the supervisory board of METRO AG. Their positions on the supervisory board of METRO AG will be filled again, upon the spin-off taking effect. Upon the spin-off taking effect, it is intended that the court appointment of employee representatives from among the employees employed at the group companies of METRO AG is applied for. The Chairman of the supervisory board of METRO AG, Mr. Jürgen B. Steinemann, as well as the members of the supervisory board Mrs. Gwyn Burr as well as Mr. Mattheus P. M. (Theo) de Raad (all of whom are shareholder representatives) have resigned from their offices on the supervisory board of METRO AG on 8 December 2016 with effect from the point in time when the spin-off takes effect. The successors are to be elected by the ordinary shareholder's meeting of METRO AG on 6 February 2017 (cf. Section IX.3.e) for further information).

MWFS AG currently has a supervisory board consisting of three members, who were appointed by the current sole shareholder, METRO Consumer Electronics Zwischenholding GmbH & Co. KG, in the course of the change of the legal form of MWFS AG into a German stock corporation. Since MWFS AG has up to now not employed any employees itself and the employees employed at its subsidiaries are not attributed to it, it currently does not have any supervisory board subject to statutory employee co-determination. Upon the spin-off taking effect, MWFS AG will be subject to the

provisions of the MitbestG, as it will be the parent company of the MWFS Group that will be created by the spin-off and thus will employ more than 2,000 employees due to the attribution under § 5 para. 1 sent. 1 MitbestG. It will constitute a supervisory board subject to parity co-determination. Upon the spin-off taking effect, the management board will conduct so-called status proceedings (*Statusverfahren*) pursuant to §§ 97 et seqq. AktG. The Parties assume that upon the spin-off taking effect, pursuant to the provisions of the MitbestG usually more than 20,000 employees will be deemed employees of MWFS AG and consequently the supervisory board will comprise 20 members pursuant to § 7 para. 1 sent. 1 no. 1 MitbestG, ten of whom will be supervisory board members representing the shareholders and ten will represent the employees. The articles of association of MWFS AG will be amended accordingly. Cf. Section VIII.3.e) for information on the composition of the supervisory board of MWFS AG during the transitional period until the completion of the status proceedings as well as on the appointment of the new supervisory board after completion of the status proceedings.

6. Other measures envisaged as regards employees and their representative bodies

METRO AG intends to adjust the personnel planning and to reorganise certain areas. In accordance with §§ 111 et seqq. BetrVG, METRO AG consults with the works council on the implementation of the measures intended and negotiates a reconciliation of interests. The background for the adjustment of personnel planning is the demerger of METRO GROUP due to the hive-down and the spin-off, which entails a reorganisation of various areas of the MWFS Business Division. According to the current planning, it is intended to reduce the workforce in almost all areas in the departments of the Chairman of the management board, the Chief Financial Officer and the Human Resources Director as well as in the areas MCC Finance, MCC Strategy, MCC HR, House of Learning and International Expansion; such reduction is planned to extend to a total of about 180 positions (number of employees), of which about 25 employees are planned to be transferred to subsidiaries of MWFS AG where they can be employed further.

Moreover, in the course of the reorganisation of departments, it is intended to transfer the employment relationships of about 10 to 13 employees of METRO Finance B.V. from METRO Finance B.V. to METRO AG (MWFS Business Division) as of 1 January 2017.

The implementation of the reduction in workforce and the reorganisation of the relevant departments will primarily be conducted by means of cancellation agreements, early retirement schemes as well as transfers within the MWFS Business Division.

XII. Explanation of the Demerger Agreement including its annexes

1. Demerger Agreement

The Demerger Agreement (Hive-Down and Spin-Off Agreement) contains in a single agreement provisions and information on the two legally separate measures of the hive-down and the spin-off. The Demerger Agreement is structured in five sections.

After the introductory preliminary remarks (Section A), Section B (§§ 1-14) contains information and provisions required pursuant to § 126 UmwG in respect of the hive-down, as well as other provisions concerning the hive-down. With the hive-down, a part of the MWFS Business Division including, inter alia, the MWFS Branch of Activity, the essential intangible assets of METRO AG and the indebtedness vis-à-vis third parties is intended to be transferred to MWFS AG, while the CE Business Division and the CE Branch of Activity are to remain with METRO AG. Section C (§§ 15-24) contains information and provisions required pursuant to § 126 UmwG in respect of the spin-off, as well as other provisions concerning the spin-off. With the spin-off, the remaining assets of the MWFS Business Division, primarily the interest in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH (into which assets of METRO AG were contributed after the Relevant Spin-Off Date), are intended to be transferred to MWFS AG. Section D (§§ 25-33) contains provisions and information concerning both the hive-down and the spin-off. Section E (§§ 34-38) contains additional agreements of the contractual parties in connection with the splitting up of METRO GROUP.

For the following explanation of the Demerger Agreement, the terms defined therein will be used. References to annexes are references to those of the Demerger Agreement. References to sections (§) without reference to a statute are references to sections of the Demerger Agreement.

a) Hive-down (§ 1.1)

Pursuant to § 1.1, METRO AG as transferring legal entity transfers the part of its assets specified in § 1.2 in its entirety to MWFS AG as acquiring legal entity by means of a hive-down by way of acquisition pursuant to § 123 para. 3 no. 1 UmwG. In return, METRO AG is granted MWFS Shares (see in this regard the explanations on § 7, Section h) below). The transfer by means of the hive-down results in a so-called partial universal succession pursuant to § 131 para. 1 no. 1 UmwG, which means that upon the hive-down taking effect MWFS AG will become the universal legal successor of METRO AG in respect of the Hive-Down Assets by operation of law. Generally, as a consequence no individual transfer of rights is required (with regard to possible excep-

tions and the solutions in the internal relationship then applicable see the explanations on § 26, Section r) below).

b) Hive-Down Assets (§ 1.2)

In terms of legal technique, § 1.2 specifies the Hive-Down Assets by way of a so-called negative delimitation from two other groups of assets. According to this delimitation, the Hive-Down Assets comprise the entire assets of METRO AG, with the exception of the assets referred to as CE Assets, on the one hand, which pursuant to § 2 remain with METRO AG, and of the Spin-Off Assets, on the other hand, which are not already transferred to MWFS AG by the hive-down, but only by the spin-off (in this regard see the explanations on § 17, Section m) below).

c) Definition of assets (§ 1.3)

For the entire Demerger Agreement, § 1.3 defines the meaning of the terms 'item', 'asset' and 'item of the assets or liabilities' and determines that these terms are in each case to be understood to refer comprehensively to an item of the assets or liabilities within the meaning of § 126 para 1 no. 9 UmwG and are to include, in particular, things, tangible and intangible assets, rights, claims, obligations, liabilities, contracts and other legal relationships and legal interests, irrespective of whether they require disclosure in the balance sheet, may be disclosed in the balance sheet or are actually included in the balance sheet. In particular, these terms are thus not limited to the items of the assets with a positive value, but also include, for example, liabilities and other legal interests with a negative value.

d) Determination of the Hive-Down Assets (§ 2)

While § 1.2 describes the Hive-Down Assets, § 2 contains provisions for the determination of the Hive-Down Assets in more detail.

Pursuant to § 2.1, due to the negative delimitation every asset of METRO AG which under the provisions of the Demerger Agreement is neither CE Assets nor Spin-Off Assets is part of the Hive-Down Assets. This principle is further substantiated in the following paragraphs of § 2 as well as in Section B.II (§ 4 and § 5). The two reference values of the negative delimitation, namely the CE Assets and the Spin-Off Assets, are described positively: the CE Assets in § 4 and the related annexes (§ 2.2, see in more detail the explanations on §§ 4 and 5, Section f)), the Spin-Off Assets in § 17 and the related annex (§ 2.3, § 15.1, see in more detail the explanations on § 17, Section m)). The Hive-Down Assets are defined as the remainder in delimitation to these positive descriptions. However, in order to facilitate a better understanding, to make providing proof more con-

venient and to enable an easier determination of assets, the Hive-Down Assets are also positively described in § 5 and the related annexes. However, in contrast to the description of the CE Assets and of the Spin-Off Assets, this description is not exhaustive. § 4 and § 17 prevail over the description in § 5 (§ 2.4).

The starting point for the description of the CE Assets, of the Spin-Off Assets and of the Hive-Down Assets in §§ 4, 5, and 17 as well as the related annexes in each case is generally the Relevant Hive-Down Date. Pursuant to the clause on additions and retirements contained in § 2.5, the additions and retirements occurring in the period between the Relevant Hive-Down Date and the Hive-Down Effective Date (§ 25.1), in particular with respect to surrogates of an asset in rem or under the law of obligations, are accounted for when determining the Hive-Down Assets. Due to the negative delimitation applicable also here, additions are part of the Hive-Down Assets to the extent that they have not become CE Assets as defined in § 4 (for example pursuant to the general clauses contained in § 4.11) or are part of the Spin-Off Assets. Besides, for the avoidance of doubt it is stated in § 2.5 that any assets no longer existing at METRO AG at the time of the hive-down taking effect are not transferred to MWFS AG.

The obligation to record additions and retirements provided for in § 2.6 serves the facilitation of proof of the transfer of assets at the point in time of the hive-down taking effect.

e) Relevant Hive-Down Date and fiscal transfer effective date, Closing Balance Sheet (§ 3)

§ 3.1 determines 1 October 2016, 0:00 a.m., as the Relevant Hive-Down Date. The Relevant Hive-Down Date is the point in time from which any acts of METRO AG relating to the Hive-Down Assets will be deemed to have been undertaken for the account of MWFS AG (§ 126 para. 1 no. 6 UmwG). This means, that for the purposes of the commercial law balance sheet the hive-down is economically relating retroactively to 1 October 2016, 0:00 a.m., and that METRO AG and MWFS AG will put each other in such position as if the Hive-Down Assets had already passed to MWFS AG on 1 October 2016, 0:00 a.m. In this context, § 3.5 provides that in the period between the conclusion of the Demerger Agreement and the Hive-Down Effective Date, METRO AG is to manage and dispose of the Hive-Down Assets only in the course of its ordinary business and with the due diligence of a prudent business person and is to adhere to the provisions of the Demerger Agreement.

§ 3.2 refers to the Hive-Down Tax Transfer Effective Date. Since the Hive-Down Assets, in the view of METRO AG (confirmed by a binding statement of the competent tax office), fulfil the requirements of a branch of activity from a taxation perspective, upon re-

quest pursuant to § 20 paras. 5, 6 UmwStG the relevant date of the Closing Balance Sheet (see immediately below) which pursuant to § 125 sent. 1 in conjunction with § 17 para. 2 UmwG is used as a basis for the hive-down may be elected as effective date of transfer for the hive-down for tax purposes. This is intended to be done (§ 3.4); the Hive-Down Tax Transfer Effective Date is thus 30 September 2016, 12:00 p.m.

§ 125 sent. 1 in conjunction with § 17 para. 2 UmwG stipulate that the filing with the commercial register of the transferring legal entity (METRO AG) has to include a so-called Closing Balance Sheet. In this respect, § 3.3 determines that the Closing Balance Sheet shall be the annual balance sheet of METRO AG as per 30 September 2016, 12:00 p.m. The annual balance sheet of METRO AG as per 30 September 2016, 12:00 p.m. was audited by the independent auditor KPMG AG Wirtschaftsprüfungsgesellschaft in the course of the annual financial statements and has received an unqualified audit opinion. Pursuant to § 125 sent. 1 in conjunction with § 17 para. 2 sent. 4 UmwG the register court of the transferring legal entity (METRO AG) is only permitted to enter the hive-down in the register if the Closing Balance Sheet is prepared as of a relevant date which is no more than eight months prior to the filing for registration. Thus, the filing of the hive-down for registration has to occur no later than on 31 May 2017. A postponement of the Relevant Hive-Down Date or, respectively, the Relevant Spin-Off Date has not been agreed. In the event that the hive-down has not become effective until 31 October 2017, either party may withdraw from the Demerger Agreement (see the explanations on § 38, Section cc)).

§ 3.4 provides that MWFS AG is to record the Hive-Down Assets in its commercial accounting at their fair value (with regard to the effects in more detail see Section VII.1.a)) and that MWFS AG is to file an application with the competent fiscal authorities pursuant to § 20 para 2 UmwStG, for the Hive-Down Assets to be recognised at their carrying amount in its tax balance sheet as of the Hive-Down Tax Transfer Effective Date (with regard to the continuation of carrying amounts for tax purposes see in more detail Section VII.1.b)(2).).

f) Description of the Hive-Down Assets (§ 4 and § 5)

In § 4 and § 5 the Hive-Down Assets are described in more detail (with regard to the structure see already the explanations on § 2, Section d)). In this regard, for the sake of clarity § 4 and § 5 are for the most part structured parallelly by groups of assets and, in order to facilitate better understanding, these provisions are described together below. The rules contained in § 4 for the determination of the CE Assets are overlapping to some extent. To the extent that an item falls within the scope of at least one provision of § 4, including the general clauses, it forms part of the CE Assets.

As a general rule, both § 4 and § 5 and their annexes describe the status as at the Relevant Hive-Down Date, unless stipulated otherwise therein or otherwise required by the context.

§ 6 contains provisions with respect to individual assets within the CE Assets as well as provisions related to the Hive-Down Assets. Certain rights and obligations of the Parties are created thereby. These are described in the following in relation to the relevant assets.

Company interests (§ 4.1 / § 5.1)

§ 4.1 and § 5.1 concern the company interests and related items of the CE Assets and of the Hive-Down Assets.

The CE Assets include, in particular: (i) the 100 percent interest in METRO Kaufhaus und Fachmarkt Holding GmbH, which for its part holds the majority interest in Media-Saturn-Holding GmbH, including the control and profit and loss transfer agreement between METRO AG and METRO Kaufhaus und Fachmarkt Holding GmbH, (ii) the 100 percent limited partnership interest in METRO Consumer Electronics Zwischenholding GmbH & Co. KG, which for its part currently is the sole shareholder of MWFS AG, as well as (iii) the limited partnership interest in an amount of just over 6.61 percent in METRO PROPERTIES GmbH & Co. KG. In addition, the CE Assets comprise, in particular, additional 100 percent GmbH company interests together with the corresponding control and profit and loss transfer agreements with METRO AG. These companies hold, in particular, smaller company interests to be allocated to the CE Business Division, which previously were held by METRO Innovations Holding GmbH which is to be allocated to the MWFS Business Division. Loans granted by METRO AG to so-called CE Associated Companies also form part of the CE Assets. CE Associated Companies are defined as the wholly-owned subsidiaries remaining with METRO AG and their direct and indirect participation companies. This does not include MWFS AG and its participation companies, which otherwise would also be within the scope of the definition because of the interest held in MWFS AG by METRO Consumer Electronics Zwischenholding GmbH & Co. KG. Finally, the CE Assets also comprise any and all rights and obligations of METRO AG relating to Media-Saturn-Holding GmbH and the previous Media-Saturn China-Holding GmbH (today named METRO Dreizehnte Gesellschaft für Vermögensverwaltung mbH), their respective subsidiaries and company interests, Convergenta Invest GmbH and also their respective direct and indirect current and previous shareholders and their dependants and affiliated enterprises. METRO AG holds a direct interest neither in Media-Saturn-Holding GmbH nor in Media-Saturn China-Holding GmbH. The allocation serves the purpose of leaving any rights and obligations of

METRO AG, for example in respect of contractual arrangements and shareholder disputes regarding these companies, which are to be allocated to the CE Business Division, with METRO AG.

The other current company interests of METRO AG will be transferred to MWFS AG as Hive-Down Assets, with the exception of the company interests forming part of the Spin-Off Assets (in particular the interest in METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, see in more detail the explanations on § 17, Section m)). They are listed in Annex 5.1. a). In this respect, it has to be taken into account that the company interests of the METRO Cash & Carry and Real sales lines have largely already been transferred to MWFS AG immediately prior to the Relevant Hive-Down Date by means of singular succession (see Section IV.1.b)). Of the company interests to be transferred by means of the hive-down, the following should be mentioned specifically: the 100 percent interest in METRO Dienstleistungs-Holding GmbH, the residual interest in an amount of 6 percent in METRO Cash & Carry International GmbH which currently still remains with METRO AG as well as the 100 percent interest in METRO Finance B.V. One loan granted by METRO AG to a subsidiary of the MWFS Business Division existing at the Hive-Down Date pursuant to Annex 5.1.b) and all loans granted to this or any other of the so-called MWFS Associated Companies after the Relevant Hive-Down Date also form part of the Hive-Down Assets. In contrast, certain other loans granted to MWFS Associated Companies existing at the Relevant Hive-Down Date are allocated to the CE Assets by § 4.12 as so-called "neutral" assets (see the explanations on § 4.12 below). The MWFS Associated Companies are defined to comprise the companies hived down to MWFS AG as well as companies in which the latter companies hold a direct or indirect interest, together with MWFS AG and the companies listed in § 17.3, i.e. the companies spun off to MWFS AG and their respective direct or indirect subsidiaries and company interests.

The allocation of a company interest to one of the groups of assets includes, inter alia, any and all pertaining rights and obligations as well as any consortium agreements and shareholder agreements as well as any trust agreements. Enterprise agreements concluded in the past or future with CE Associated Companies or MWFS Associated Companies (even if the interests are held only indirectly) also form part of the CE Assets or Hive-Down Assets. The same applies to loss assumption declarations issued vis-à-vis such companies in the past or future. Enterprise agreements with and loss assumption declarations vis-à-vis such MWFS Associated Companies which pursuant to § 17.3 form part of the Spin-Off Assets, and their subsidiaries, are excluded from the allocation to the Hive-Down Assets and form part of the Spin-Off Assets pursuant to § 17.4 (see Section m)).

Assets relating to persons (§ 4.2 / § 5.2)

§ 4.2 and § 5.2 concern rights and obligations of METRO AG towards certain groups of persons. With regard to the current and former members of corporate bodies of METRO AG, the following allocation applies: All rights and obligations vis-à-vis acting or former members of the supervisory board as well as members of the management board of METRO AG acting on the Relevant Hive-Down Date or thereafter (§ 4.2 lit. a) and b)) form part of the CE Assets, while – with the exception of pension commitments (in this respect, see below) – all rights and obligations vis-à-vis members of the management board of METRO AG no longer acting on the Relevant Hive-Down Date and their dependants form part of the Hive-Down Assets (§ 5.2 lit. c)).

§ 4.2 and § 5.2 further each contain an annex with the personnel numbers of the employees of METRO AG at the Relevant Hive-Down Date who together with their employment relationships including all pertaining rights and duties (including the duties under social security law) are attributable to the CE Assets (Annex 4.2.c)) or the Hive-Down Assets (Annex 5.2.a)). With regard to the transfer of employment relationships, § 613a BGB applies. With regard to this and to the provisions stipulated in connection therewith between the contractual parties in the event of employee objections, see Section XI.2.a) and the following Section g).

§ 4.2 and § 5.2 further allocate to the CE Assets or, respectively, the Hive-Down Assets all rights and obligations of METRO AG vis-à-vis certain groups of persons who are or were employed at current or former company interests to be allocated to the CE Business Division (§ 4.2 lit. d), CE Assets) or, respectively, the MWFS Business Division (§ 5.2 lit. b), Hive-Down Assets).

Items of property (§ 4.3 / § 5.3)

§ 4.3 and § 5.3 relate to items of property and rights to items of property held by METRO AG. With regard to business documents (including those stored on mobile data storage devices) the following allocation applies: these are all attributable to the Hive-Down Assets, unless they are kept either in the premises of the CE Branch of Activity or by the latter's staff or service providers exclusively for the CE Business Division (CE Assets, § 4.3 lit. a)), or relate to METRO AG in its capacity as a stock corporation and public company listed on German stock exchanges (CE Assets, § 4.10 lit. e)) or are attributable exclusively to the items of the Spin-Off Assets (Spin-Off Assets, § 17.5). Since the documents and data transferred to MWFS AG or, respectively, remaining with METRO AG may also be relevant for the respective other contractual party after the hive-down and spin-off taking effect due to their common past, § 27.2 contains duties

regarding the keeping and inspection of business documents and data, with the proviso that the details are reserved for an agreement yet to be entered into between the parties.

Any and all furniture, IT devices, and other fixtures and fittings and consumables located in the premises of the CE Branch of Activity or exclusively used by staff of the CE Branch of Activity, in particular the items listed in Annex 4.3.b), are allocated to the CE Assets. All other items of this kind are thus allocated to the Hive-Down Assets.

The tenancy agreements for premises and related facility management agreements existing at the Relevant Hive-Down Date are allocated by means of annexes to the CE Assets (Annex 4.3.c)) and the Hive-Down Assets (Annex 5.3.b)). This primarily concerns the premises used by the CE Branch of Activity and the MWFS Branch of Activity, respectively, at the Düsseldorf location.

The agreements for car leasing existing at the Relevant Hive-Down Date are also allocated by means of annexes to the CE Assets (Annex 4.3.d)) and the Hive-Down Assets (Annex 5.3.c)). Other rental or lease agreements or usage relationships for movable property owned by a third party form part of the CE Assets if the property is attributable to the CE Business Division and form part of the Hive-Down Assets if the property is attributable to the MWFS Business Division.

METRO AG does not own any real property. Any and all rights equivalent to real property (in particular hereditary building rights) and rights to real property (e.g. rights of first refusal) form part of the Hive-Down Assets and are listed in Annex 5.3.d).

Industrial property rights (§ 4.4 / § 5.4)

§ 4.4 and § 5.4 concern industrial property rights of METRO AG, rights of METRO AG in respect of such industrial property rights as well as know-how.

The software licenses existing at the Relevant Hive-Down Date are attributable to the CE Assets, to the extent listed in Annex 4.4.a). The Hive-Down Assets comprise any and all rights of METRO AG in internally generated software as well as the software licenses to be allocated to the MWFS Business Division, in particular the activities of the MWFS Branch of Activity. Any and all of the internally generated property rights and similar rights and assets, purchased concessions, industrial property rights and similar rights and assets as well as licenses and other legal positions in connection with such property rights and assets also form part of the Hive-Down Assets, in particular all legal positions of METRO AG (e.g. as licensor and/or licensee) in certain trademarks listed in Annex 5.4.a), in particular the "METRO" trademark. In order to enable METRO AG, in particular, to use its current company name up to its intended change of the company name

(see Section V.12.), it is granted the right in § 6.1 to use the trademark "METRO" without consideration in the extent existing on the Relevant Hive-Down Date, with the proviso that utilisation by enterprises affiliated on the Relevant Hive-Down Date is also covered. This non-transferable right expires three months after the register entry of an amendment of § 1 para. 1 of the articles of association of METRO AG (change of the company name to "CECONOMY AG").

Know-how is allocated as follows: The know-how exclusively allocable to the CE Business Division and its staff will form part of the CE Assets, the other know-how forms part of the Hive-Down Assets. To the extent that the latter was also used for the CE Business Division at the Relevant Hive-Down Date, pursuant to § 6.2 METRO AG will retain a non-exclusive, non-transferable, free-of-charge and non-terminable usage right in this respect, together with the right to sublicense such right to its affiliated companies, and is to reimburse on a pro rata basis any royalties payable to third parties.

Finance, duties and pensions (§ 4.5 / § 5.5)

§ 4.5 and § 5.5 relate to legal interests of METRO AG in respect of finance, duties and pensions.

The bank accounts of METRO AG existing at the Relevant Hive-Down Date (in each case including the corresponding book entries, balances, rights and obligations) are allocated to the CE Assets by means of Annex 4.5.a) or to the Hive-Down Assets by means of Annex 5.5.a), respectively.

All rights and obligations of METRO AG from or in connection with collateral, joint obligations and liabilities assumed by itself or by a third party (i.e. in the case of third-party collateral, in particular, rights to recourse and security rights of the third party) are allocated as of the Relevant Hive-Down Date to the CE Assets by means of Annex 4.5.b) or, respectively, to the Hive-Down Assets by means of Annexes 5.5.b).1, 5.5.b).2 (separately lists certain comfort letters) and 5.5.c).

All rights and obligations (including obligations relating to any insufficient funds of pension institutions) of METRO AG arising from or in connection with existing pension commitments are allocated in § 4.5 lit. c) and § 5.5 lit. d) as follows: The CE Assets include, first, any pension commitments to employees having retired prior to the Relevant Hive-Down Date and their surviving dependants, irrespective of whether such employees would have been allocable to the CE Business Division. This allocation was made in the course of the determination of the funding requirements and capital structure of METRO AG. Furthermore, the CE Assets include (also in the case of leaving the com-

pany between Relevant Hive-Down Date and the Effective Date), in particular, pension commitments vis-à-vis employees of the CE Business Division (and, as the case may be, their dependants) as well as vis-à-vis acting or former members of the management board of METRO AG and their dependants. It is intended that the members of METRO AG's management board, Mr. Olaf Koch, Mr. Pieter C. Boone and Mr. Heiko Hutmacher will resign from their positions in METRO AG as at the Spin-Off Effective Date by mutual agreement and will be appointed members of the management board of MWFS AG. In this context, the obligations of METRO AG from pension commitments for active members of METRO AG's management board will be assumed by MWFS AG with full discharging effect. Therefore, MWFS AG undertakes in § 6.6 to indemnify METRO AG from any obligations arising under these pension commitments. In contrast, those pension commitments vis-à-vis employees of the MWFS Business Division (and, as the case may be, their dependants) whose employment relationships are transferred to MWFS AG or who leave the company in the period between the Relevant Hive-Down Date and the Hive-Down Effective Date are part of the Hive-Down Assets. Pension entitlements based on the German Pension Rights Adjustment Act (*Versorgungsausgleichsgesetz*) to which qualifying former spouses of employees are entitled, are part of the CE Assets in the case of employees of the CE Business Division and part of the Hive-Down Assets in the case of employees of the MWFS Business Division.

§ 4.5 lit. d) and § 5.5 lit. e) allocate rights and obligations in connection with the pension commitments described above to which METRO AG is entitled with regard to reinsurance cover, insurance policies for the fulfilment of direct insurance commitments and rights in respect of pension scheme and pension fund assets in accordance with the allocation of the pension commitments. In contrast, the legal responsibility regarding METRO Unterstützungskasse e.V., including any legal positions regarding cover funds existing there and, vice versa, any existing funding obligations, is exclusively allocated to the CE Assets, also to the extent that pension commitments are conducted via METRO Unterstützungskasse e.V. which are attributable to the Hive-Down Assets, because MWFS AG cannot be the entity legally responsible for METRO Unterstützungskasse e.V. All rights and obligations of METRO AG vis-à-vis Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit (PSVaG) form part of CE Assets, irrespective of whether these relate to the pension commitments of the CE Assets or of the Hive-Down Assets.

§ 6.7 provides for certain determinations in connection with § 4.5 lit. c) and § 5.5 lit. d) as well as § 4.5 lit. d) and § 5.5 lit. e) regarding the financing of the pension obligations of METRO AG. This is based in each case on the underlying principle that the memberships, agreements and cover assets existing for pension commitments are allocated in

accordance with the allocation of the pension commitments. In deviation therefrom, as from the Hive-Down Effective Date, the cover assets existing at METRO Unterstützungskasse e.V. will be available exclusively as cover assets for pension fund commitments made through METRO Unterstützungskasse e.V. to the extent that such cover assets form part of the CE Assets.

Pursuant to § 5.5 lit. f), the receivables listed in Annex 5.5.f).1 and the partial claim listed in Annex 5.5.f).2 (partial amount of the repayment claim of METRO AG vis-à-vis MWFS AG described in the explanations on § 4.12 under the loan in the amount of EUR 450 million) as well as any other receivables from MWFS Associated Companies coming into existence after the Relevant Hive-Down Date form part of the Hive-Down Assets. Certain receivables from MWFS Associated Companies existing at the Relevant Hive-Down Date are allocated to the CE Assets by § 4.12 as so-called "neutral" assets (see the explanations on § 4.12 below).

By means of annexes § 4.5 lit. e) and § 5.5 lit. g) allocate certain tax receivables (in each case including any related ancillary tax payments within the meaning of § 3 para. 4 of the German General Tax Code (*Abgabenordnung – AO*)) to be allocated to the CE Business Division or, respectively, the MWFS Business Division to the CE Assets (Annex 4.5.e)) or, respectively, the Hive-Down Assets (Annex 5.5.g)). For a more detailed explanation of tax allocation and the relationship to the tax provisions in the Group Separation Agreement, see Section g) and Sections XII.2.e) through j).

Further liabilities (§ 4.6 / § 5.6)

§ 4.6 and § 5.6 concern further obligations of METRO AG. In Annex 4.6.a), § 4.6 lit. a) allocates specified uncertain liabilities, for which provisions have been established, to the CE Assets. This concerns, in particular, certain personnel costs, litigation risks and the audit costs for the annual financial statements. § 5.6 does not contain counterpart in this respect. § 4.6 lit. b) and § 5.6 lit. a) allocate liabilities of METRO AG vis-à-vis participation companies to the CE Assets, if they exist vis-à-vis CE Associated Companies (unless they relate to the MWFS Business Division) and to the Hive-Down Assets, if they exist vis-à-vis MWFS Associated Companies (unless they relate to the CE Business Division). Annex 5.6.a) contains a list of certain such liabilities in the Hive-Down Assets as of the Relevant Hive-Down Date.

Pursuant to § 5.6 lit. b) and c), the existing bonds and bonded loans of METRO AG form part of the Hive-Down Assets. Pursuant to § 5.6 lit. d), the same applies to the two syndicated loans (including any amendment or confirmation agreements yet to be concluded in connection with the demerger) and the subsidised loans of METRO AG. Thus, in

principle the entire external financing of METRO AG is hived down to MWFS AG. However, METRO AG will establish a credit facility of its own for the CE Business Division, which pursuant to § 4.6 lit. c) will form part of the CE Assets (see Section VII.3.d)(1)). Pursuant to § 4.6 lit. d), any and all commercial papers that were or will be issued under a EUR 2 billion commercial paper programme under French law will remain with METRO AG. However, it is intended to enable the MWFS Business Division to continue to use the programme as a bridge financing until the demerger takes effect. Accordingly, pursuant to § 6.3 MWFS AG bears the benefits and burdens under this commercial paper programme, and METRO AG will issue bonds under this commercial paper programme upon instruction of MWFS AG and has to pass on the proceeds resulting therefrom to MWFS AG. In return, MWFS AG will indemnify METRO AG from all liabilities arising under or in connection with said commercial paper programme and bear all costs of its continuation. METRO AG will receive a fee for the continuation that is customary in the market.

By means of annexes, § 4.6 lit. e) and § 5.6 lit. e) allocate certain tax liabilities (in each case including any related ancillary tax payments within the meaning of § 3 para. 4 AO) that are recognised in the balance sheet and to be allocated to the CE Business Division or, respectively, the MWFS Business Division to the CE Assets (Annex 4.6.e)) or, respectively, the Hive-Down Assets (Annex 5.6.e)). In addition, there are § 4.6 lit. f) and § 5.6 lit. f) which address some uncertain tax liabilities (also in each case including any related ancillary tax payments within the meaning of § 3 para. 4 AO). The reasons for this are as follows, in particular: The parties currently do not expect German income tax liabilities for the year 2016. In the event that contrary to the parties' expectation taxes on income are levied for the year 2016 (with regard to these so-called unexpected transaction taxes see in more detail under VII.2.c) and d) as well as under XII.2.e)), § 4.6 lit. f) and § 5.6 lit. f) allocate these tax liabilities, which are unexpected and, thus, not recognised in the balance sheet, by means of annexes to MWFS AG at a rate of 75 percent as part of the Hive-Down Assets (Annex 5.6.f)) and to METRO AG at a rate of 25 percent as part of the CE Assets (Annex 4.6.f)). Uncertain tax liabilities for the years before 2016 are allocated to MWFS AG in their full amount as part of the Hive-Down Assets (Annex 5.6.f)). For a more detailed explanation of tax allocation and the relationship to the tax provisions in the Group Separation Agreement, see Section g) and Sections XII.2.e) through j).

All contingent liabilities from prospectus liability in connection with the stock exchange listing described in § 33 form part of the Hive-Down Assets (§ 5.6 lit. g)), with the proviso that pursuant to § 33 in the internal relationship METRO AG would also have to bear part of any prospectus liability (see the explanations on § 33, Section x)).

Agreements (§ 4.7 / § 5.7)

§ 4.7 and § 5.7 concern agreements, contract offers and other obligation and legal relationships of METRO AG. First, agreements and other obligation and legal relationships are allocated by Annex 4.7.a) to the CE Assets and by Annex 5.7.a) to the Hive-Down Assets. § 4.7 lit. b) further allocates to the CE Assets the Demerger Agreement and all rights and obligations in connection with the spin-off audit (such as the legal relationship with the demerger auditor). Besides, § 4.7 lit. c) and § 5.7 lit. b) contain general clauses allocating to the CE Assets or the Hive-Down Assets, respectively, all legal relationships supplementing, modifying, extending, terminating or substituting the legal relationships stated in § 4 or § 5, as well as any legal relationships relating to the items forming part of the CE Assets or the Hive-Down Assets, respectively.

Memberships (§ 4.8 / § 5.8)

The memberships of METRO AG in associations, groups and organisations are allocated by Annex 4.8 (CE Assets) and Annex 5.8 (Hive-Down Assets).

Litigation and legal proceedings (§ 4.9 / § 5.9)

§ 4.9 and § 5.9 concern litigation and other legal proceedings of METRO AG. The litigation stated in Annex 4.9.2 concerns the CE Business Division and is allocated to the CE Assets, accordingly; the litigation listed in Annex 5.9. concerns the MWFS Business Division and is allocated to the Hive-Down Assets, accordingly. The CE Assets further comprise other litigation and other legal proceedings resulting from the title to items or the position as a contracting party to agreements forming part of the CE Assets. In contrast, other litigation and other legal proceedings in respect of items relating to the Hive-Down Assets or otherwise to the MWFS Business Division are part of the Hive-Down Assets. The allocation of litigation or legal proceedings to one of the groups of assets includes in each case the rights or duties asserted therein and any related agreements (such as client relationships or litigation financing).

The CE Assets further comprise the litigation listed in Annex 4.9.1 and the agreements relating thereto listed in Annex 4.9.3. This litigation concerns claims of METRO AG that are asserted, together with claims of other companies belonging to METRO GROUP, in two sets of proceedings in the United Kingdom against enterprises of the Visa and Mastercard groups of companies. These claims concern both the CE Business Division and the MWFS Business Division. In order to avoid complicating the legal proceedings, they are to remain with METRO AG in the external third-party relationship. In this respect, § 27.6 stipulates special provisions, according to which the parties in their internal rela-

tionship will coordinate in advance about the conduct of the litigation by METRO AG and, to the extent that the claims allocated to MWFS AG are concerned, the proceedings will be conducted for the account of MWFS AG.

Assets of METRO AG as a public company listed on German stock exchanges (§ 4.10)

§ 4.10 allocates assets to the CE Assets which concern neither the CE Business Division nor the MWFS Business Division, but which came or may come into existence at METRO AG in its capacity as a public company listed on German stock exchanges. Since these assets therefore concern METRO AG as such, regardless of its specific business, they were to be allocated to the assets remaining with METRO AG, in spite of the lacking relation to the CE Business Division. This concerns, in particular, all rights and obligations of METRO AG vis-à-vis shareholders of METRO AG (including from their dividend entitlement) and from litigation or legal proceedings with shareholders. In particular, the dividend for the 2015/16 financial year has to be paid by METRO AG with funds from the CE Assets. The commission relationship and any rights and obligations of METRO AG towards its independent auditor are part of the CE Assets (§ 4.10 lit. b)), as is the case with all rights and obligations of METRO AG in connection with the admission of the METRO Shares to stock exchange trading (§ 4.10 lit. c)) and from the public law legal relationships (admission notices and trade registration) specified in Annex 4.10.d).

Other assets of the Business Divisions (§ 4.11 / § 5.10)

§ 4.11 and § 5.10 allocate additional assets to the CE Assets or the Hive-Down Assets. This is achieved by means of various general clauses. These general clauses are not subordinated to the other categories of § 4 and § 5 in such manner that only such assets fall within the scope of the general clauses which by their nature are not already covered by the other paragraphs of § 4 or § 5, respectively.

Annex 4.11.a) and Annex 5.10.a) each contain a balance sheet as per 1 October 2016, 0:00 a.m. that was derived from the Closing Balance Sheet. Annex 4.11.a) (CE Balance Sheet) reflects the assets recognised in the balance sheet that are part of the CE Assets, Annex 5.10.a) (Hive-Down Balance Sheet) reflects the assets recognised in the balance sheet that are part of the Hive-Down Assets.

§ 4.11 lit. b)-d) and § 5.10 lit. b)-d) allocate to the CE Assets / the Hive-Down Assets (i) all assets that do not require recognition in the balance sheet, cannot be recognised in the balance sheet or are actually not included in the balance sheet, having arisen or arising from the business activities of the CE Business Division or the MWFS Business Division or otherwise existing in connection with items of the CE Assets or the Hive-

Down Assets, (ii) all assets that according to the generally accepted accounting principles are recorded in the company code of the CE Business Division or the MWFS Business Division as of the Relevant Hive-Down Date or subsequently become thus recorded, and (iii) all assets forming the functionally material operational basis of the CE Business Division or the MWFS Business Division on 30 September 2016 12:00 p.m. or 1 October 2016, 0:00 a.m. With regard to the separate company codes since the Relevant Hive-Down Date see Section IV.1.c)(1).

§ 4.11 lit. e) allocates to the CE Assets all assets resulting from the activities of staff from the CE Business Division in the period from the Relevant Hive-Down Date and that do not relate to the MWFS Business Division, while § 5.10 lit. e) allocates to the Hive-Down Assets all assets resulting from the activities of staff from the MWFS Business Division in the period from the Relevant Hive-Down Date and that do not relate to the CE Business Division.

§ 4.11 lit. f) and § 5.10 lit. f) allocate all assets resulting from legal acts that were or are performed, express or implied, on behalf of the CE Business Division or the MWFS Business Division, in particular of the CE Branch of Activity or the MWFS Branch of Activity to the CE Assets or the Hive-Down Assets. With regard to the acting of the Business Divisions in legal transactions with third parties since the Relevant Hive-Down Date see Section IV.1.c)(1).

Neutral assets (§ 4.12)

§ 4.12 allocates assets which for the most part neither pertain clearly to the CE Business Division nor clearly to the MWFS Business Division to the CE Assets and which therefore are also referred to as neutral assets. This concerns, in particular, receivables from affiliated enterprises (including MWFS Associated Companies), loans granted to affiliated enterprises and time deposits with banks. The assets listed in Annex 4.12.1 remain with METRO AG. This concerns one claim resulting from an IT services agreement (which itself, however, is part of the Hive-Down Assets) and a partial amount of the repayment claim of METRO AG vis-à-vis MWFS on the basis of the loan in the amount of EUR 450 million established as part of the preparatory steps (in this respect, cf. Section IV.1.a)). In contrast, the asset listed in Annex 4.12.2 (another part of the abovementioned repayment claim) is allocated to the CE Assets merely for contribution into MWFS AG and the assets listed in Annex 4.12.3 (substantially an additional share of the abovementioned repayment claim, credit and other loans granted to affiliated enterprises, time deposits at banks and other receivables from affiliated enterprises) are allocated to the CE Assets merely for contribution into METRO Groß- und Lebensmitteleinzelhandel Holding GmbH (which is part of the Spin-Off Assets). Where the importance of the

contractual relationship on which the claim is based exceeds the importance of the claim itself (e.g. license agreements, service agreements or framework agreements), the allocation to the CE Assets does not include the contractual relationship (which forms part of the Hive-Down Assets), but only the claim. The allocation of the aforementioned assets serves the purpose of effecting the intended proportion of values between the Hive-Down Assets (approx. 1 percent) and the assets already existing at MWFS AG (approx. 9 percent) in order to avoid detrimental tax effects (see Section IV.2 and Section VII.1.b)(2).). The corresponding contributions have already been made in December 2016 and are described in § 6.4 and § 17.7. Additional legal consequences are provided for in § 26.6 (see the explanations on § 26, Section r)). To the extent a claim remains within the CE Assets pursuant to § 4.12 and the contractual relationship on which the claim is based is transferred to MWFS AG as part of the Hive-Down Assets upon the hive-down taking effect, MWFS AG will, pursuant to § 6.9, not change the contractual relationship in any way or exercise any rights under such contractual relationship in a manner which will detrimentally affect the claim allocated to METRO AG.

g) Provisions governing the Hive-Down Assets and the CE Assets (§ 6)

In addition to provisions related to §§ 4 and 5 and already described in Section f), § 6 contains the following provisions:

§ 6.5 provides that in relation to all tax receivables and tax liabilities of METRO AG the economic allocation to the MWFS Business Division and to the CE Business Division and, at the same time, a risk allocation between the parties is made in the internal relationship between the parties in § 26 (catch-all clause in particular in cases, in which assets are not transferred already upon the hive-down taking effect) as well as in Section D of the Group Separation Agreement (tax clause, see from Section XII.2.e)). In the event of any conflict, the provisions agreed in Section D of the Group Separation Agreement prevail as special provisions over the rules stipulated in § 26. Thus, the relevant rules for the economic allocation in the internal relationship are the tax provisions in Section D of the Group Separation Agreement, irrespective of the group of assets to which the tax is allocated by § 4 and § 5 and irrespective of whether this allocation has the effect of a transfer by partial universal succession.

At the Hive-Down Effective Date, pursuant to § 613a BGB (so-called transfer of enterprise) all employment relationships entered into with METRO AG employees that are allocated to the MWFS Branch of Activity at that time will transfer to MWFS AG together with all rights and obligations, unless the employees affected object to such transfer pursuant to § 613a para. 6 BGB (see in more detail Section XI.2.a)). In the event of such an objection, according to the arrangements made by the contracting parties the economic

burden is to be borne by MWFS AG, since the relevant employment relationship is allocated to the Hive-Down Assets. METRO AG and MWFS AG therefore undertake in this context in § 6.8 to inform each other immediately about any such objections. § 6.8 further provides, inter alia, for an indemnification by MWFS AG for the benefit of METRO AG with regard to the continuance of the employment relationships of objecting employees, provided that METRO AG immediately issues a termination against them at the next possible date.

h) Granting of shares and capital measures (§ 7)

§ 7.1 governs the consideration for the transfer of the Hive-Down Assets. According to this provision, METRO AG is granted 3,601,217 no-par value ordinary bearer shares in MWFS AG and 29,755 no-par value non-voting preference bearer shares in MWFS AG (with regard to their features see Section V.8.). This corresponds to an arithmetical interest of approx. 1 percent after the consummation of hive-down and spin-off. Pursuant to § 7.2, these shares will be entitled to participation in profits from (and including) 1 October 2016 (§ 126 para. 1 no. 5 UmwG).

§ 7.3 determines the way the shares that are to be granted to METRO AG will be created. In order to implement the hive-down, MWFS AG will increase its capital stock by EUR 3,630,972 through the issue of the shares specified in the preceding paragraph. Each new no-par value share will account for EUR 1 in the amount of the capital stock increase. Pursuant to the provisions of the UmwG, the hive-down may only be registered after the implementation of this Hive-Down Capital Increase has been registered in the commercial register of MWFS AG (§§ 125 sent. 1, 66, 130 para. 1 sent. 1 UmwG).

§ 7.4 clarifies that the contribution in kind is made by the transfer of the Hive-Down Assets and further governs the treatment in the balance sheet of any value of the contribution in kind exceeding the nominal amount of the issued shares (transfer to the capital reserves of MWFS AG, § 272 para. 2 no. 1 HGB).

i) Granting of special rights and benefits (§ 8)

With regard to § 8, see the explanations on §§ 30 and 31, Section v).

j) Consequences of the hive-down for the employees and their representative bodies (§§ 9-14)

Section B.IV (§§ 9 to 14) contains the information required pursuant to § 126 para. 1 no. 11 UmwG regarding the consequences of the hive-down for the employees and their representative bodies as well as the measures intended in this respect, which result from

the fact, in particular, that upon the hive-down taking effect the operational activities of METRO AG, which currently consist of the CE Branch of Activity and the MWFS Branch of Activity, are divided up under works constitution law into two separate independent operational activities existing in two separate companies. These paragraphs do not contain any contractual agreements between the parties, but merely a description of the consequences of the hive-down. These are described in Section XI.

k) Spin-off (§ 15)

Pursuant to § 15.1, METRO AG as transferring legal entity transfers the part of its assets specified in § 17 in its entirety to MWFS AG as acquiring legal entity, with all pertaining rights and duties, by means of a spin-off by way of acquisition pursuant to § 123 para. 2 no. 1 UmwG. In return, the shareholders of METRO AG will be granted MWFS Shares (see in this regard the explanations on § 18, Section n) below). The transfer by means of the spin-off results in a so-called partial universal succession pursuant to § 131 para. 1 no. 1 UmwG (with regard to partial universal succession, see already Section a)).

§ 15.2 merely clarifies that assets which are not allocated to the Spin-Off Assets pursuant to the Demerger Agreement or that are explicitly excluded from transfer in the Demerger Agreement (in particular the assets specified in § 4.12. lit. c), which are allocated to the CE Assets for contribution into METRO Groß- und Lebensmitteleinzelhandel Holding GmbH) are not transferred by way of spin-off.

l) Relevant Spin-Off Date and Tax Transfer Effective Date, Closing Balance Sheet (§ 16)

§ 16.1 determines 1 October 2016, 0:00 a.m., as the Relevant Spin-Off Date. The Relevant Spin-Off Date is the point in time from which any acts of METRO AG relating to the Spin-Off Assets will be deemed to have been undertaken for the account of MWFS AG (§ 126 para. 1 no. 6 UmwG). This means, that for the purposes of the commercial law balance sheet the spin-off is economically relating retroactively to 1 October 2016, 0:00 a.m., and that METRO AG and MWFS AG will put each other in such position as if the Spin-Off Assets had already passed to MWFS AG on 1 October 2016, 0:00 a.m. In this context, § 16.5 provides that in the period between the conclusion of the Demerger Agreement and the Spin-Off Effective Date, METRO AG is to manage and dispose of the Spin-Off Assets only in the course of its ordinary business and with the due diligence of a prudent business person and is to adhere to the provisions of the Demerger Agreement.

§ 16.2 refers to the Spin-Off Tax Transfer Effective Date. Pursuant to § 2 UmwStG, the Tax Transfer Effective Date derives from the Closing Balance Sheet (see below), which pursuant to §§ 125 sent 1 in conjunction with 17 para. 2 UmwG is used as a basis for the spin-off and is, thus, 30 September 2016, 12:00 p.m.

§ 125 sent. 1 in conjunction with § 17 para. 2 UmwG stipulate that the filing with the commercial register of the transferring legal entity (METRO AG) has to include a so-called Closing Balance Sheet. In this respect, § 16.3 determines (as is also the case with the hive-down, see Section e)) that the Closing Balance Sheet will be the annual balance sheet of METRO AG as per 30 September 2016, 12:00 p.m. As was already described (see Section e)), the annual balance sheet of METRO AG as per 30 September 2016, 12:00 p.m. was audited by the independent auditor KPMG AG Wirtschaftsprüfungsgesellschaft in the course of the annual financial statements and has received an unqualified audit opinion. The explanations in Section e) regarding the latest possible date for the filing with the commercial register and the absence of a so-called postponement clause for the postponement of the Relevant Date with regard to the hive-down apply accordingly with regard to the spin-off.

§ 16.4 provides that MWFS AG will assume the carrying amounts of the Spin-Off Assets recorded in the Closing Balance Sheet for its commercial accounting (with regard to the effects in more detail see Section VII.1.a)) and points out that for income tax purposes the Spin-Off Assets will be recognised at their fair value.

m) Spin-Off Assets and Spin-Off Balance Sheet (§ 17)

§ 17 governs the determination of the Spin-Off Assets. Pursuant to § 17.1, the basis for such determination is the Spin-Off Balance Sheet as per 1 October 2016, 0:00 a.m., which is enclosed as Annex 17.1, which reflects the Spin-Off Assets in the balance sheet and for its part was developed from the Closing Balance Sheet (§ 16.3). The items of the Spin-Off Assets are transferred regardless of whether these are required or eligible to be recognised or whether these are actually recognised in the balance sheet (§ 17.2).

§§ 17.3 through 17.5 determine the items forming part of the Spin-Off Assets. Pursuant to § 17.3 and § 17.4, the Spin-Off Assets comprise, in addition to the commercially insignificant interests in METRO Wholesale & Food Service Vermögensverwaltung GmbH & Co. KG and in the latter's general partner (METRO Wholesale & Food Service Vermögensverwaltung Management GmbH), the shares in METRO Groß- und Lebensmittel Einzelhandel Holding GmbH which, as described in Section IV.1.b), currently holds, inter alia, directly and indirectly deferred purchase price claims against MWFS AG in an amount of approx. EUR 6.6 billion plus interest and, thus, constitutes – in terms of value

– the majority of the assets of the MWFS Business Division, as well as the control and profit and loss transfer agreement existing between METRO AG and the METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, including in particular the obligation for the assumption of losses for the 2015/16 financial year. Moreover, enterprise agreements concluded with the specified companies or their subsidiaries in the past or future as well as loss assumption declarations issued vis-à-vis such companies (in particular vis-à-vis METRO Erste Erwerbsgesellschaft mbH) in the past or future belong to the Spin-Off Assets. § 17.5 allocates all business records that are to be allocated exclusively to the items of the Spin-Off Assets to the Spin-Off Assets.

§ 17.6 contains a standard so-called additions and retirements clause in respect of the Spin-Off Assets. The additions and retirements occurring in the period between the Relevant Spin-Off Date and the Spin-Off Effective Date, in particular surrogates of an asset in rem or under the law of obligations, will be accounted for when determining the Spin-Off Assets. Accordingly, the Spin-Off Assets will include those items of assets and liabilities to be allocated to the Spin-Off Assets based on their origin and purpose that were added to or created in the Spin-Off Assets in the period between the Relevant Spin-Off Date and the Spin-Off Effective Date. Those items of the assets and liabilities that have been sold or otherwise transferred in the period between the Relevant Spin-Off Date and the Spin-Off Effective Date or no longer exist at such point in time are not to be transferred to MWFS AG.

As is documented in § 17.7, certain contributions were made by METRO AG in December 2016 as sole shareholder into METRO Groß- und Lebensmitteleinzelhandel Holding GmbH as shareholder contribution without being granted shares, in order to achieve the intended value relations. This will be addressed in more detail in the explanations on § 26.6 (see Section r)).

n) Granting of shares, trustees and capital measures (§ 18)

In accordance with the requirements of § 126 para. 1 no. 3 and 4 UmwG, § 18.1 governs the consideration for the transfer of the Spin-Off Assets. According to this provision, the shareholders of METRO AG will be granted, in accordance with their respective interest (preserving the proportion of company interests held) one no-par value bearer MWFS Ordinary Share for each no-par value bearer METRO Ordinary Share, and one no-par value, non-voting MWFS Preference Share made out to the bearer (with regard to the features of the latter, see Section V.8.) for each no-par value, non-voting METRO preference share made out to the bearer. No additional cash payment will be granted. In total, the shareholders of METRO AG will be granted 324,109,563 MWFS Ordinary Shares and 2,677,966 MWFS Preference Shares (§ 18.2). Pursuant to § 18.3, the

MWFS Shares to be granted by MWFS AG to the shareholders of METRO AG will be entitled to participation in profits from (and including) 1 October 2016 (§ 126 para. 1 no. 5 UmwG).

§ 18.4 determines the way the shares that are to be granted to the shareholders of METRO AG will be created. In order to implement the spin-off, MWFS AG will increase its capital stock by EUR 326,787,529 through the issue of the shares specified in the preceding paragraph. Each new no-par value share will account for EUR 1 in the amount of the capital stock increase. Pursuant to the provisions of the UmwG, the spin-off may only be registered after the implementation of the Spin-Off Capital Increase described above has been registered in the commercial register of MWFS AG (§ 125 sent. 1 in connection with § 66, § 130 para. 1 sent. 1 UmwG).

§ 18.5 clarifies that the contribution in kind is made by the transfer of the Hive-Down Assets and further governs the treatment in the balance sheet of any value of the contribution in kind exceeding the nominal amount of the issued shares (transfer to the capital reserves of MWFS AG, § 272 para. 2 no. 1 HGB).

As required by § 125 sent. 1 in conjunction with § 71 para. 1 sent. 1 UmwG, § 18.6 provides that METRO AG appoints Deutsche Bank Aktiengesellschaft, Frankfurt am Main, as trustee to receive the MWFS AG Shares to be granted and to deliver these to the shareholders of METRO AG. Possession of the shares to be granted will be provided to the trustee prior to the registration of the Spin-Off, and the trustee is instructed to provide such shares to the shareholders of METRO AG upon registration of the Spin-Off in the commercial register of METRO AG.

Immediately after the spin-off taking effect, the fungibility of the MWFS Shares is to be ensured by their admission to stock exchange trading, with the consequence that, in particular, no cash compensation pursuant to §§ 125 sent. 1 in conjunction with 29 para. 1 sent 1 UmwG is necessary. Since this also applies to the shares to be granted in the course of the hive-down, the corresponding provisions are not contained in § 18, but in § 33 (see Section x)).

o) Granting of special rights and benefits (§ 19)

With regard to § 19, see the explanations on §§ 30 and 31 below, Section v).

p) Consequences of the spin-off for the employees and their representative bodies (§§ 20-24)

Section C.III (§§ 20 to 24) contains the information required pursuant to § 126 para. 1 no. 11 UmwG regarding the consequences of the hive-down for the employees and their representative bodies as well as the measures intended in this respect, which result from the fact, in particular, that upon the spin-off taking effect MWFS Branch will leave the company group of METRO AG and become a separate independent company listed on German stock exchanges. These provisions do not contain any contractual agreements between the parties, but merely a description of the consequences of the spin-off. These consequences are described in Section XI.

q) Taking effect, Effective Date (§ 25)

§ 25.1 and § 25.2 clarify in each case for the hive-down and the spin-off that the transfer of the Hive-Down Assets or the Spin-Off Assets will occur with effect *in rem* at the point in time of the registration of the hive-down or the spin-off in the commercial register of METRO AG and, thus, of the hive-down or the spin-off taking effect (§ 131 para. 1 no. 1 UmwG; in the Demerger Agreement also referred to as the so-called Hive-Down or Spin-Off Effective Date). The respective Hive-Down or Spin-Off Effective Date is thus different from the Relevant Hive-Down Date or the Relevant Spin-Off Date (in each case 1 October 2016, 0:00 a.m.).

Pursuant to § 25.3, possession of movable property forming part of the Hive-Down Assets or the Spin-Off Assets will be transferred to MWFS AG on the relevant Effective Date. To the extent that any movable property is in the possession of any third parties, the relevant claim to recover possession also forms part of the Hive-Down or the Spin-Off Assets.

r) Catch-all clause (§ 26)

§ 26 concerns both the hive-down and the spin-off and makes provisions in § 26.1 through § 26.5 for situations, in which the allocation of assets *in rem* intended by the Demerger Agreement is not achieved already by the partial universal succession (§ 131 Abs. 1 no. 1 UmwG) occurring upon registration of the hive-down respectively spin-off. This may be the case, for example, if foreign jurisdictions applicable to items of the Hive-Down Assets do not acknowledge a transfer by partial universal succession under the UmwG or only subject to additional requirements, or where strictly personal legal interests are concerned. To the extent that specific items, which pursuant to the Demerger Agreement are intended to be transferred to MWFS AG by virtue of the hive-down or

spin-off by way of partial universal succession, are not already transferred to MWFS AG by operation of law upon the relevant registration of the hive-down or spin-off, § 26.1 obliges METRO AG to transfer such objects to MWFS AG by way of singular succession (e.g. by way of assignment, transfer of title or assumption of debt). In this case, the parties will put each other in such positions internally as they would be in had the object been transferred externally as of the Relevant Hive-Down Date or the Relevant Spin-Off Date, respectively. The Parties will, to the extent reasonably possible, take all measures necessary and appropriate for a transfer by way of singular succession and will cooperate to the best of their ability, in order to obtain any necessary third-party consents or any permits under public law.

§ 26.2 supplements the obligations contained in § 26.1 with provisions governing the internal relationship, to the extent that the transfer of an item of the Hive-Down Assets or the Spin-Off Assets to MWFS AG by way of singular succession is not possible externally pursuant to the provisions in § 26.1 described above, or only with unreasonable effort. In such cases, METRO AG and MWFS AG will put each other in a position, in particular in their internal relationship, as if the transfer had been made also externally at the Relevant Hive-Down Date or the Relevant Spin-Off Date, respectively; in particular, MWFS AG will as from this date bear all economic burdens and will receive the entire economic benefit of such item.

Pursuant to § 26.3, the provisions described above in § 26.1 and § 26.2 apply accordingly in the opposite case, namely to the extent that specific items form part of the CE Assets pursuant to the Demerger Agreement, but are transferred to MWFS AG upon the hive-down taking effect due to legal reasons. In particular, MWFS AG is obliged in such cases to re-transfer these items to METRO AG by means of singular succession.

Pursuant to § 26.4, the provisions apply accordingly, if any item has been allocated by mistake to the Hive-Down Assets, the Spin-Off Assets or the CE Assets, with the proviso that the allocation to the CE Assets stated in the annexes to § 4 is final. § 26.5 states that by means of the provisions in § 26 at least the transfer of beneficial ownership within the meaning of § 39 para. 2 sent. 1 AO of the items of the Hive-Down Assets and of the Spin-Off Assets is to be effected.

§ 26.6 stipulates the application, *mutatis mutandis*, of § 26 to the contributions pursuant to § 6.4 and § 17.7. The reasons for this are as follows: Pursuant to § 4.12 (see above Section f)), the assets of the CE Assets specified in § 4.12 lit. b) and § 4.12 lit. c) are not allocated to the CE Assets to remain with METRO AG for the purposes of the CE Business Division, but for contribution without consideration into MWFS AG or METRO Groß- und Lebensmitteleinzelhandel Holding GmbH, respectively, and the per-

taining economic allocation in each case to the MWFS Business Division. These contributions were made in December 2016 and served the objective of achieving the intended proportions of values for the avoidance of tax detriments (see Sections IV.2 and VII.1.b)(2).). § 6.4 describes the corresponding contributions from METRO AG into METRO Consumer Electronics Zwischenholding GmbH & Co. KG, and subsequently from the latter into MWFS AG, and § 17.7 describes the corresponding contributions from METRO AG into METRO Groß- und Lebensmitteleinzelhandel Holding GmbH. At the time of contribution, not all of the claims listed in § 4.12 lit. c) still existed. To the extent that the receivables no longer existed, METRO AG assumed a cash contribution obligation vis-à-vis METRO Groß- und Lebensmitteleinzelhandel Holding GmbH in the amount of the receivables as per 30 September 2016, 12:00 p.m. / 1 October 2016, 0:00 a.m., which from that point in time was deferred subject to payment of interest of 0.53 percent p.a. until the Hive-Down Effective Date, meaning that in the amount of EUR 812,200,019.59 there is a payment liability of METRO AG vis-à-vis METRO Groß- und Lebensmitteleinzelhandel Holding GmbH which bears interest accordingly.

To the extent that it was not possible for the receivables (or their surrogates) specified in § 4.12 lit. c) to be contributed, because the latter were used for the purposes of the MWFS Business Division, MWFS AG is obliged pursuant to § 26.6 to grant compensation for value to METRO AG, since the MWFS Business Division transferred to the latter benefits from such utilisation. The amount of this claim to compensation for value is determined to amount to EUR 812,200,019.59 and interest in an amount of 0.53 percent will be payable thereon from the Relevant Hive-Down Date (inclusive). The claim to compensation for value will become due upon the hive-down taking effect. The parties are obliged pursuant to § 26.6 to ensure that the claim of METRO AG to compensation for value against MWFS AG is caused to be extinguished by set-off with the open liability of METRO AG from the open cash contribution obligation promptly after the hive-down has become effective.

§ 26.6 provides conclusively in connection therewith that the contractual parties assume that no surrogates of receivables of the CE Assets specified in § 4.12 lit. c) existed on the date of the contributions which could have been contributed. In the event that against expectations surrogates are identified before the set-off is completed, such surrogates still have to be contributed by METRO AG into METRO Groß- und Lebensmitteleinzelhandel Holding GmbH against adjustment of the amount of the open cash contribution obligation and of the claim to compensation for value of METRO AG. After the set-off has been conducted, such surrogates will promptly be paid out by METRO AG to MWFS AG.

By means of the provisions in § 26.6, it is to be ensured economically that neither METRO AG nor MWFS AG is discriminated or favoured as a result of the fact that pursuant to § 4.12 lit. b) and § 4.12 lit. c) the assets had to be allocated to METRO AG as CE Assets for the purpose of conducting the measures to achieve the proportions of values for tax purposes, although these assets were to be allocated economically (directly or indirectly) to MWFS AG and were also partially used in a corresponding manner.

s) Obligations to cooperate (§ 27)

As a matter of precaution, § 27.1 provides for mutual obligations to perform any acts that may still be necessary or appropriate in connection with the transfer of the Hive-Down Assets or the Spin-Off Assets. With regard to § 27.2 see above, Section f). § 27.3 contains cooperation duties limited in terms of time until 31 December 2032 in case of any administrative proceedings or litigation which relate to the CE Assets, the Hive-Down Assets or the Spin-Off Assets or where any Party or its affiliated enterprises are otherwise specifically able to provide support due to the common past as parts of METRO GROUP. Section D of the Group Separation Agreement (§ 34 of the Demerger Agreement) contains special provisions for the collaboration in tax matters (see Section XII.2.i)). § 27.4 and § 27.5 contain the duty to first work, in respect of litigation and other procedural legal relationships, towards any steps required under the provisions of the rules of procedure applicable in each case for the complete transfer of the role as a party to the proceedings from METRO AG to MWFS AG (such as the consent of the other party/parties involved in the proceedings). If no transfer of the role as a party to MWFS AG occurs in the external third-party relationship, provisions governing the internal relationship for the conduct of the litigation by METRO AG for the account of MWFS AG apply. With regard to § 27.6 see above, Section f).

t) Exclusion of claims (§ 28)

In § 28, the contracting parties agree on the exclusion of any claims and rights of MWFS AG against METRO AG due to the condition and existence of the items transferred by METRO AG pursuant to the Demerger Agreement as well as of the Hive-Down Assets or the Spin-Off Assets as a whole, regardless of their nature and regardless of the legal basis, to the extent legally permissible.

u) Protection of creditors and internal compensation (§ 29)

§ 133 UmwG stipulates a joint and several liability, which is limited in terms of time, in the case of divisions of the transferring and of the acquiring legal entity for the liabilities

of the transferring legal entity which were created before the effective date of the demerger(see Section VII.3.a)).

In this context, § 29.1 stipulates that MWFS AG has to indemnify METRO AG upon first request, if and to the extent that claims are asserted against METRO AG by creditors under transferred liabilities, obligations or contingent liabilities. In addition, the indemnification also covers the assertion of claims for liabilities under future statutory obligation relationships which arise in connection with previous or future business activities of the MWFS Business Division. The same applies in case METRO AG is held liable by creditors of such liabilities, obligations or contingent liabilities for granting security. § 29.2 contains a reversely structured indemnification of METRO AG for the benefit of MWFS AG. This is a common provision between the participating legal entities for the internal compensation of the statutory liability under § 133 para. 1 and para. 3 UmwG.

With regard to § 29.3 see Section v) below.

v) Granting of special rights as defined in § 126 para. 1 no. 7 UmwG (§ 30) and granting of special benefits as defined in § 126 para. 1 no. 8 UmwG (§ 31)

Pursuant to § 126 para. 1 no. 7 UmwG, the demerger agreement has to contain information on rights which the assuming legal entity (or in the cases of § 125 sent. 1 in conjunction with § 23 UmwG also the transferring legal entity at the choice of the legal entities pursuant to § 133 para. 2 sent. 2 UmwG) grants to individual shareholders as well as the holders of special rights (for example, stock options, interests without voting rights, preference shares, shares conferring multiple votes, bonds, profit participation rights). Furthermore, information has to be provided on the measures intended to be taken for these persons. Pursuant to § 126 para. 1 no. 8 UmwG, the demerger agreement further has to contain information, in particular, on specific benefits granted to a member of the management board or of the supervisory board of the legal entities participating in the demerger, to an auditor or a demerger auditor.

§ 8 (for the hive-down) and § 19 (for the spin-off) make reference for the explanation in this regard to § 30 which is hereinafter described (information on § 126 para. 1 no. 7 UmwG) and § 31 which is also hereinafter described (information on § 126 para. 1 no. 8 UmwG). Therein, to facilitate a better understanding the information for the hive-down and the spin-off are described together.

Pursuant to § 125 sent. 1 in conjunction with § 23 UmwG, in the case of a demerger the holders of rights in a transferring legal entity conferring no voting right (such as non-voting shares) have to be granted equivalent rights in the acquiring legal entity, with the

proviso that in the case of a hive-down or spin-off such rights may, pursuant to § 133 para. 2 sent. 2 UmwG, also be granted in the transferring legal entity at the choice of the participating legal entities. In this respect, § 30.1 states that both METRO AG – as (part of the) consideration for the transfer of the Hive-Down Assets (see Section h)) – and the holders of preference shares of METRO AG – as consideration for the transfer of the Spin-Off Assets (see Section n)) – will be granted MWFS Preference Shares, describes the features of these MWFS Preference Shares and points out that the preference existing in the case of the METRO Preference Shares will remain unchanged. With regard to the features of the preference shares granted and with regard to the equal value see Sections V.8. and VI.2. In this respect § 30.1 further provides that the responsibility for the obligations under § 125 sent. 1 in conjunction with § 23 UmwG lies with MWFS AG with regard to the features of the MWFS Preference Shares and with METRO AG with regard to the features of the METRO Preference Shares. To the extent that because of § 133 para. 2 sent. 1 UmwG there is a joint and several liability of METRO AG and MWFS AG for the fulfilment of the obligation under § 125 sent. 1 in conjunction with § 23 UmwG, pursuant to § 29.3 the indemnification provisions of § 29 (see Section u)) between MWFS AG and METRO AG apply accordingly, to the extent that the liability deviates from the allocation between MWFS AG and METRO AG described above.

As a matter of precaution, § 30.2 advises of the fact that METRO AG has granted share-based remuneration rights to the members of the management board of METRO AG, the top-level executives of METRO AG as well as the members of management bodies and top-level executives of METRO GROUP under a long-term remuneration programme, the so-called Performance Share Plan 2009 to 2013, of which the 2013 tranche will still exist at the time of conclusion of the Demerger Agreement and, to the extent that it still exists until such date, will be settled with effect as of the Spin-Off Effective Date. The settlement of the tranche will occur at its fair value. For this purpose, the date of the spin-off taking effect will be deemed to be the final time of exercise. As per that date, the fair value will be determined by external experts in accordance with an acknowledged financial mathematics method with the same method and subject to the same assumptions subject to which this tranche is currently measured for the determination of the accounting provisions in the respective quarterly financial statements and coordinated with the independent auditor. The amount to be paid out under the tranche will be determined exact to a day as per the date of the the spin-off taking effect in accordance with the method provided for in the plan and described above. The settlement of the payment amounts so determined will occur no later than two months after the spin-off taking effect. The information stated above is made for reasons of precaution only, since the Performance Share Plan is exclusively linked to the stock price, which distinguishes it fundamentally from the other LTI Programmes. See also Sections II.2.f) and VII.3.f).

§ 30.3 contains a so-called negative declaration, according to which other than the rights and measures described in § 30 no rights and measures as defined in § 126 para. 1 no. 7 UmwG are granted or, respectively, provided for.

§ 31 contains information on specific benefits granted to a member of a corporate body of the legal entities participating in the demerger (§ 126 para.1 no. 8 UmwG).

§ 31.1 describes the effects which the settlement of the LTI Programmes (as defined in Section II.2.f)) will have for the members of the management board of METRO AG and of the management board and of the supervisory board of MWFS AG. Depending on the remaining terms, the LTI Programmes will be settled fully or partially (for further details, cf. Section VII.3.f)). To the extent that the LTI Programmes are settled, the members of the management board of METRO AG will receive a cash payment. The amount of the payment will depend on the point in time of the spin-off taking effect. In the case of an assumed taking effect of the spin-off on 31 March 2017, the members of the management board of METRO AG will receive payments in a total amount of approx. EUR 16.6 million, the members of the management board of MWFS AG payments in a total amount of approx. EUR 0.6 million and the members of the supervisory board of MWFS AG payments in a total amount of approx. EUR 0.5 million. The amounts allocable to the individual persons are listed in Annex 31.1. To the extent that the LTI Programmes are not settled, they are transferred to new LTI Programmes at METRO AG and MWFS AG. The transfer will occur on the basis of the pro rata temporis target amounts for the not yet vested and unsettled performance periods of the LTI Programmes which will be determined exact to a day as of the point in time of the spin-off taking effect. The transfer is not intended to result in any favouring of one of the management board or supervisory board members of METRO AG or MWFS AG. With regard to the details see Annex 31.1 as well as the statements in Sections II.2.f) and VII.3.f).

§ 31.2 further contains, as a matter of precaution, indications for certain intended appointments and extensions of appointments of members of corporate bodies of METRO AG and MWFS AG in connection with the spin-off: It is intended that prior to the spin-off taking effect the Chairman of the management board of METRO AG, Mr. Olaf Koch, as well as the members of the management board of METRO AG, Mr. Pieter C. Boone and Mr. Heiko Hutmacher, will be appointed as members of the management board of MWFS AG, the appointment of the member of the management board of MWFS AG, Mr. Christian Baier, is to be extended and Mr. Olaf Koch is to be appointed as Chairman of the management board of MWFS AG. Upon the spin-off taking effect, Mr. Olaf Koch, Mr. Pieter C. Boone and Mr. Heiko Hutmacher will leave the management board of METRO AG and Mr. Pieter Haas, member of the management board of

METRO AG, will be appointed as Chairman of the management board of METRO AG. The appointment of Mr. Heiko Hutmacher as member of the management board of METRO AG has been extended until 30 September 2020. It is intended that the appointment of Mr. Mark Frese as member of the management board of METRO AG be extended in January 2016 until 31 December 2020.

In addition, § 31.2 contains information regarding the increase of the remuneration for individual members of corporate bodies: With regard to the function for which Mr. Pieter Haas is responsible from the Relevant Hive-Down Date in respect of the CE Branch of Activity and his future role as Chairman of the management board of METRO AG after the spin-off has become effective with economic effect as of 1 October 2016, the target remuneration as management board member of Mr Haas was changed from a total of EUR 3.0million p.a. to EUR 3.8million p.a. In this respect, the basic remuneration was increased from EUR 900,000 to EUR 1.14million p.a. The target amount of the performance-related remuneration was increased from EUR 900,000 to EUR 1.14million p.a. and the target amount of the long-term remuneration from EUR 1.2million to EUR 1.52million p.a. The target remuneration of the member of the management board of MWFS AG, Mr. Christian Baier, under his current employment agreement with METRO AG was increased with effect as of 1 October 2016 from EUR 1.34million to EUR 2.05million p.a. The basic remuneration was increased from EUR 470,000 to EUR 700,000 p.a. The target amount for the performance-based remuneration was increased from EUR 320,000 to EUR 540,000 p.a., while the target amount for the long-term remuneration was increased from EUR 550,000 to EUR 810,000 p.a.

§ 31.3 further contains, as a matter of precaution, indications for certain changes for current members of the supervisory board of METRO AG and of MWFS AG in connection with the spin-off (see in more detail Sections VIII.3.e) and IX.3.e)): The member of the supervisory board of METRO AG, Mr. Jürgen A. Fitschen, is intended to be elected as Chairman of the supervisory board of METRO AG upon the spin-off taking effect. The Chairman of the supervisory board of METRO AG, Mr. Jürgen B. Steinemann, Deputy Chairman of the the supervisory board of METRO AG, Mr. Werner Klockhaus, as well as the members of the supervisory board Mrs. Gwyn Burr, Mrs. Susanne Meister and Dr. Angela Pilkmann as well as Dr. Florian Funck, Mr. Peter Küpfer, Mr. Mattheus P. M (Theo) de Raad, Dr. Fredy Raas as well as Messrs. Thomas Dommel, Andreas Herwarth and Xaver Schiller are to be appointed as members of the supervisory board of MWFS AG already prior to the spin-off taking effect. Mr. Jürgen B. Steinemann is to be elected as Chairman of the supervisory board of MWFS AG. § 31.5 completes the above information with a reference to the details in § 23.1 on the leaving of office of members of the supervisory board of METRO AG as of the Spin-Off Effective Date.

§ 31.4 points out that in connection with the stock exchange listing of the MWFS Shares, the parties intend to take out customary insurance for the risks typically entailed in a stock exchange listing. Such insurance usually provides insurance coverage in the event that claims for damages are asserted against an insured person, directly or indirectly, in connection with the stock exchange listing because of actually or allegedly inaccurate or incomplete information in the securities prospectus and/or the other marketing materials and other documents because of a pecuniary damage. Insurance protection will also extend, inter alia, to the members of the management board and of the supervisory board of METRO AG and MWFS AG. Such insurance policies can only be taken out a relatively short time before the stock exchange listing on the basis of a far advanced securities prospectus for the stock exchange listing. Accordingly, the parties will consult with each other on the content of such insurance cover in terms of personal scope and substance, on the coverage amount, the insurance premium and the internal allocation thereof.

§ 31.5 contains a so called "negative declaration". According to such declaration, no special benefits within the meaning of § 126 para. 1 no. 8 UmwG (other than the benefits specified in § 31) will be granted to members of the management board or of the supervisory board of the companies participating in the hive-down and spin-off or to any independent auditor of financial statements or a demerger auditor.

w) Amendments of the articles of association and authorisations (§ 32)

§ 32 contains certain obligations of METRO AG that serve the purpose of ensuring that MWFS AG, whose indirect sole shareholder METRO AG currently still is, will have articles of association as well as capital stocks that are suitable for a public company listed on German stock exchanges. § 32.1 obliges METRO AG to ensure that prior to the spin-off taking effect the articles of association of MWFS AG will be amended in such manner as to contain, upon the spin-off taking effect and upon completion of the status proceedings (see Section VIII.3.e) in this respect) the provisions in the version enclosed as Annex 32.1 (for the future articles of association of MWFS AG see Section VIII.3.c), for the authorised capital see Section VIII.3.g)). § 32.2 and § 32.3 oblige METRO AG to ensure that prior to the spin-off taking effect the general meeting of shareholders of MWFS AG will resolve to approve the authorisation to acquire and use treasury shares pursuant to § 71 para. 1 no. 8 AktG as attached in Annex 32.2 (in this respect, see Section VIII.3.i)) as well as the authorisation enclosed in Annex 32.3 for the issue of convertible/warrant bonds pursuant to § 221 AktG (in this respect, see Section VIII.3.h)).

x) Stock exchange listing (§ 33)

As is described in Section V.11., all MWFS Shares (including existing shares, shares created in the course of the Hive-Down Capital Increase and shares created in the course of the Spin-Off Capital Increase) are to be immediately admitted to trading on the Regulated Market of the Frankfurt Stock Exchange and additionally on the section of the Regulated Market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as well as on the regulated market of the Luxembourg Stock Exchange. Since this applies to the shares to be granted both in the course of the hive-down and in the course of the spin-off, the relevant provisions are contained in § 33. By the stock exchange listing, the fungibility of the MWFS Shares is ensured, with the consequence that, in particular, no cash compensation pursuant to § 125 sent. 1 in conjunction with § 29 para. 1 sent 1 UmwG is necessary.

In this context, § 33.1 contains cooperation obligations of the parties, in particular with regard to the preparation, publication and making accessible of a securities prospectus to be approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) and further marketing documents as well as any other documents by MWFS AG.

Pursuant to § 33.2, a so-called prospectus liability (damages and any other pecuniary losses that are based on the securities prospectus and/or other marketing documents as well as other documents actually or allegedly containing information that is incorrect, incomplete or otherwise misleading), including the costs and expenses for their examination, defence, avoidance or settlement, will be split proportionately in the relationship between METRO AG and MWFS AG in a proportion of 15 percent and 85 percent. This allocation includes, in particular, the liability for warranties and indemnity of MWFS AG towards the banks accompanying the transaction. Such a warranty and indemnity liability of the issuer in respect of the prospectus liability is common and agreed as part of the agreements to be concluded with the banks in connection with the stock exchange listing. Pursuant to the more detailed provisions in § 33.2, the contractual parties mutually indemnify each other in accordance with the above allocation.

For the allocation, the parties took into account, in particular, the allocation of the different groups of assets as provided for in the Demerger Agreement, including the accounting effects resulting therefrom in each case and the provisions of the UmwG protecting creditors, in the course of a comprehensive overall assessment and considered further that an additional cash payment pursuant to § 125 sent. 1 in conjunction with § 29 para. 1 sent 1 UmwG by MWFS AG is avoided in the course of the transaction structure pursuant to the Demerger Agreement, that METRO AG will at first continue to hold an in-

terest in MWFS AG in an amount of approx. 10 percent of the capital stock of MWFS AG and that MWFS AG will be provided separate access to the capital markets.

Pursuant to § 33.3, MWFS AG will bear any other costs and expenses incurred or still to be incurred due to or in connection with the stock exchange listing and its preparation and will indemnify METRO AG accordingly.

y) Group Separation Agreement (§ 34)

In § 34, in view of the group separation of METRO GROUP resulting from the consummation of the Demerger Agreement, METRO AG and MWFS AG agree on the provisions agreed in Annex 34. These provisions are also referred to as Group Separation Agreement. The Group Separation Agreement forms an integral part of the Demerger Agreement (§ 38.5). The removal to an Annex is solely of a technical nature. The provisions in the Group Separation Agreement thus have the same legal significance as if they were contained in the main body of text of the Demerger Agreement. The Group Separation Agreement contains provisions, in particular, concerning the legal relationship between the contractual parties and their respective group companies after the consummation of the spin-off in respect of the joint membership in METRO GROUP in the past. The provisions of the Group Separation Agreement are commented in Section XII.2.

z) Provision of services (§ 35)

§ 35.1 points out that the MWFS Business Division (in particular the MWFS Branch of Activity) and the CE Business Division (in particular the CE Branch of Activity) have been providing certain services to each other since the Relevant Hive-Down Date at arm's length remuneration conditions (see in this respect also Sections IV.1.c)(2) and IV.1.d)(2)). Such services will be invoiced between the parties. Certain services are intended to be continued also after the hive-down taking effect (cf. Section X.2.). Pursuant to § 35.2, the Parties undertake to conclude a service agreement immediately upon the hive-down taking effect for the services provided up until the hive-down taking effect as well as another one for the services to be provided in the future. Said service agreements are intended to apply to the time from the Relevant Hive-Down Date and to contain usual arm's length remuneration conditions.

aa) Relationship between hive-down and spin-off (§ 36)

§ 36 concerns the relationship between the two transformation measures set forth in the Demerger Agreement, the hive-down and the spin-off, and states that with these measures the splitting up of the company group of METRO GROUP is to be legally implemented. The parties agree that the hive-down is not to take place without the spin-off

following thereafter and the spin-off is to not take place without the previous hive-down. The Parties therefore agree to work towards the hive-down and the spin-off being registered in the commercial register in such manner that the shortest possible time period will pass between the Hive-Down Effective Date and the Spin-Off Effective Date. As described in Section e), the Demerger Agreement contains no so-called postponement clause, according to which in the case of delays the Relevant Hive-Down Date or, respectively, the Relevant Spin-Off Date is postponed. This means that the hive-down and the spin-off have to be filed for registration with the commercial register of METRO AG no later than on 31 May 2017. It has to be ensured by suitable statements in the filing with the commercial register that the order of registration entries is observed, so that first the hive-down and then the spin-off take effect with economic effect as of 1 October 2016, 0:00 a.m. as the Demerger Effective Date as defined in § 126 para. 1 no. 6 UmwG.

bb) Costs and taxes (§ 37)

§ 37.1 governs the costs of the hive-down and the spin-off. In this respect, METRO AG will only bear certain costs and MWFS AG all other costs. METRO AG will bear all costs of its general meeting and all costs for advisers, to the extent that their advisory relationships form part of the CE Assets, i.e. in particular to the extent the corresponding contractual relationships with the advisers are allocated to the CE Assets in § 4. All other costs of the hive-down and spin-off will be borne by MWFS AG. This includes, in particular the costs arising from the notarisation of the Demerger Agreement and its implementation, including costs arising from litigation and procedural relationships, to the extent relating to the hive-down or the spin-off, the costs of notifications to and registrations in the commercial register, the costs of the joint demerger report, the demerger audit as well as the further audits in connection with capital increases, post-formation acquisitions and the costs of the intended stock exchange listing including its preparation (with regard to the latter see already the explanations on § 33, Section x)). Apart from that, i.e. to the extent that costs do not relate to the hive-down or the spin-off, each party will bear the costs and taxes incurred by itself or incurred in the assets allocated to it.

With regard to provisions governing tax allocation, § 37.2 makes reference to Section D of the Group Separation Agreement (§ 34) (in this respect, see Section XII.2.e) to j)).

cc) Final provisions (§ 38)

§ 38 contains various final provisions. § 38.1 states that the Demerger Agreement is subject to approval by the respective general meetings of METRO AG and MWFS AG.

§ 38.2 contains a withdrawal clause pursuant to which either party may withdraw from the Demerger Agreement by written statement to the other party if the hive-down has not taken effect by 31 October 2017 (i.e. has been registered in the commercial register of METRO AG). Thus, there is a legal possibility to stop the implementation of the splitting up of the company group if, for example, unexpected obstacles occur which significantly delay the implementation of the planned measures. The Demerger Agreement does not provide for a so-called rolling demerger effective date by means of a so-called postponement clause, with the consequence that in the case of delays there is no possibility for the hive-down and spin-off to be conducted at a later demerger effective date (see above, Section e)).

§ 38.3 obliges the parties to establish a conciliation committee for the conciliation of disputes arising from or in connection with the Demerger Agreement, provides for its composition and states that the parties endeavour to amicably settle all disputes arising from or in connection with the Demerger Agreement.

§ 38.4 determines the place of venue to be Düsseldorf. § 38.5 clarifies that the annexes to the Demerger Agreement form an integral part of the agreement. § 38.6 contains a catch-all clause with regard to limitation, to the extent that no other provision is made in the Demerger Agreement (such as in § 10.10 of the Group Separation Agreement). According to this clause, claims under the Demerger Agreement are subject to limitation upon expiry of 31 December 2032. § 38.7 contains a standard clause on the requirement of written form, § 38.8 a common so-called severability clause for the replacement of any invalid or unenforceable provisions and for the filling of any gaps in the Demerger Agreement in accordance with the purpose of the agreement.

2. Group Separation Agreement

As explained in Section XII.1.y) above, METRO AG and MWFS AG agree in § 34 of the Demerger Agreement on the provisions agreed in Annex 34, which will be referred to as the Group Separation Agreement and are explained below.

The Group Separation Agreement is divided into six sections. Introductory remarks and definitions (Section A) are followed in Section B by provisions on the separation of the Business Divisions, in particular on the dissolution of Cross-Collateral Securities (§ 1) as well as on insurance payments and on the compensation of third party claims (§ 2). Section C contains provisions relating to liability, in particular mutual indemnification (§ 3) and indemnification of METRO Kaufhaus und Fachmarkt Holding GmbH by METRO AG (§ 4). Section D (§§ 5-10) contains provisions relating to Taxes. Section E contains hold-

ing periods (so-called lock-up) with respect to shares in MWFS AG (§ 11), a reciprocal non-competition clause (§ 12) and provisions regarding the awarding of certain loans between companies of the MWFS Business Division and of the CE Business Division (§ 13). Section F concludes with further provisions, in particular regarding confidentiality (§ 14) and the fulfilment of claims arising from the Group Separation Agreement (§ 15).

For the following explanation of the Group Separation Agreement, the terms defined therein will be used. The referenced annex is an annex to the Group Separation Agreement. References to sections (§) without reference to a statute are references to sections of the Group Separation Agreement.

a) Dissolution of Cross-Collateral Securities (§ 1)

§ 1.1 contains provisions for the event that a collateral security of one of the Parties or one of its Group Companies (the so-called Collateral Provider) for liabilities of the other Party or one of its Group Companies (the so-called Principal Debtor) exists on the Effective Date (so-called Cross-Collateral Security). The parties are obliged to endeavour to arrive at a release of such Cross-Collateral Securities and the Party of the Business Division of the Principal Debtor has to indemnify the Collateral Provider to the full extent of any claims arising from the Cross-Collateral Security.

§ 1.2 lays down a specific provision relating to METRO Kaufhaus und Fachmarkt Holding GmbH. If METRO Kaufhaus und Fachmarkt Holding GmbH is the Principal Debtor, no Cross-Collateral Security within the meaning of § 1.1 will be deemed to exist to the extent the secured liability is itself covered by MWFS AG's indemnification obligation in § 4.2. This avoids, from a legal point of view, that MWFS AG can demand indemnification under § 1.1, although the corresponding liability is assigned to it pursuant to § 4.2.

Since the Business Divisions are already basically run separately, the parties do not anticipate that Cross-Collateral Securities in the aforementioned sense exist to any significant extent. The provisions in § 1 are agreed as a precautionary measure.

b) Insurance payments and compensation of third party claims (§ 2)

§ 2.1 concerns cases in which circumstances may arise or become known to one of the parties or one of its Group Companies (the so-called Injured Party) after the Relevant Date, with regard to which the other Party or one of its Group Companies (the so-called Insurance Creditor) is entitled to a compensation claim under an insurance policy that covers the period prior to the Relevant Date (a so-called Insurance Claim). In order to prevent insurance cover from being lost from an economic point of view as a result of the demerger of the company group, § 2.1 obliges the parties to ensure that the Insurance

Claim will benefit the Injured Party economically. Amongst other things, they are responsible for asserting the Insurance Claim vis-à-vis the insurance company, with the costs and expenses in connection with the claim being borne by the Party of the Business Division of the Injured Party and the Party of the Business Division of the Insurance Creditor being responsible for ensuring that the payments made by the insurance company in respect of the Insurance Claim will be turned over to the Injured Party. The Party of the Business Division of the Injured Party has to ensure that compensation claims made by the Injured Party in relation to the insured damage will be assigned to the Insurance Creditor to the extent payment has been made.

§ 2.2 concerns similar cases in which the damage and the entitlement for damages may become separated as a result of the demerger of the company. If a Party or one of its Group Companies suffers a loss, but the other Party or one of its Group Companies is entitled to claim for compensation against a third party, the latter Party has to assign this claim for compensation to the former Party at the other Party's request or ensure that it is assigned.

c) Mutual indemnity (§ 3)

In § 3.1 and § 3.2 MWFS AG and METRO AG mutually indemnify the respective other Party and its Group Companies, if claims are made against them on account of statutory liability or common law liability for justified liabilities, financial obligations or contingent liabilities created prior to the Effective Date of companies that are to be allocated to the other Business Division. Pursuant to § 3.3, these provisions do not apply to the relationship between METRO AG and MWFS AG if § 29 of the Demerger Agreement (mutual indemnification in the event of claims for liabilities which have already been incurred by METRO AG, which are assigned to the other Party in the Demerger Agreement) is applicable. §§ 3.1 and 3.2 thus relate, in particular, to cases in which (for instance according to the law of foreign jurisdictions for violations of the law) a Group Company of a Business Division is liable for liabilities whose Principal Debtor is the other Party or one of its Group Companies, and are intended to prevent any of the Business Divisions being held liable for legal liabilities which are to be allocated to the other Business Division. No specific applications of the indemnification are known.

The indemnifications do not apply to Tax matters (§ 3.4; for the specific provisions on Taxes in Section D, see Sections XII.2.e) to j)).

§ 3.5, like § 1.2, contains a specific provision relating to METRO Kaufhaus und Fachmarkt Holding GmbH. METRO AG's obligation of indemnification in § 3.2 does not apply where a liability for obligations of METRO Kaufhaus und Fachmarkt Holding GmbH is

concerned, which in turn are covered by MWFS AG's obligation of indemnification in § 4.2. The legal technical background is the same as for § 1.2.

§ 25 HGB stipulates a liability, under certain circumstances, of the legal successor in the event of an acquisition of a commercial business in the event that an acquired business is continued under the same company name; such liability extends to all liabilities relating to the operation of the business of the former owner, with the consequence that MWFS AG may be liable for METRO AG's liabilities when it is renamed "METRO AG". In this respect, § 3.6 contains an indemnification obligation for METRO AG in favour of MWFS AG, which is modelled on the indemnification in § 29.2 of the Demerger Agreement.

d) Indemnification in relation to METRO Kaufhaus und Fachmarkt Holding GmbH (§ 4)

§ 4.1 explains that METRO Kaufhaus und Fachmarkt Holding GmbH, which forms part of the CE Assets, currently only holds company interests forming part of the CE Business Division, but that in the past it also held interests in companies that belonged to the MWFS Business Division. In light of this, MWFS AG indemnifies METRO Kaufhaus und Fachmarkt Holding GmbH from all liabilities, commitments and contingent liabilities on first demand, in accordance with § 4.2, if they are attributable to the MWFS Business Division. Certain matters are expressly excluded from this indemnification: This applies firstly to all of METRO Kaufhaus und Fachmarkt Holding GmbH's pension liabilities, regardless of which Business Division they are to be allocated to. These liabilities were allocated, as is also the case for the pension commitments to former employees listed in § 4.5 lit. c) of the Demerger Agreement, to METRO AG in the course of the determination of the capital resources and capital structure. Liabilities arising out of or in connection with the acquisition, holding, sale or otherwise of METRO Innovations Holding GmbH or former investments or other assets of METRO Innovations Holding GmbH that have been transferred to companies belonging to the CE Assets are also excluded from the indemnification (see also Section IV.1.d)(1) for details on these matters). Due to this exception, claims arising from the sale of METRO Innovations Holding GmbH to MWFS AG, in particular, will remain unaffected.

§ 4.3 stipulates that if METRO Kaufhaus und Fachmarkt Holding GmbH, in connection with matters for which indemnification is granted pursuant to § 4.2, holds or receives recourse claims or any other equivalent assets, METRO AG has to ensure that these are paid to MWFS AG by METRO Kaufhaus und Fachmarkt Holding GmbH, so that METRO Kaufhaus und Fachmarkt Holding GmbH does not benefit twice from the indemnification.

§ 4.4, in turn, stipulates that the Tax clauses contained in Section D take precedence.

e) Internal allocation of Taxes (§ 5)

§§ 5-10 contain provisions concerning the allocation of Taxes (in particular tax receivables, tax payables) between the Parties as well as cooperation in tax proceedings. § 5 is a basic provision regulating the economic assignment of Taxes and the distribution of tax risks.

(1) Pre-Relevant Date and Post-Relevant Date Taxes

§ 5.1 assigns all of the current taxes up until 30 September 2016, i.e. up until the Tax Transfer Effective Date (Pre-Relevant Date Taxes) to MWFS AG in principle, unless these taxes are clearly and directly attributed to the CE Business Division. This general assignment of the Pre-Relevant Date Taxes to MWFS AG takes into account, in particular, the fact that up until the Tax Transfer Effective Date almost all German fiscal consequences from the MWFS Business Division were incurred by METRO AG in accordance with the corresponding German tax law (in part because the activities were run by METRO AG itself, and in part because the companies of the MWFS Business Division (in contrast to the companies of the CE Business Division) were predominantly part of a tax group of companies up until the Tax Transfer Effective Date and continue to be so in terms of a tax group for the purposes of VAT, meaning that METRO AG is liable for their taxable result or VAT consequences, as the controlling company). This means that while the predominant share of the Pre-Relevant Date Taxes was incurred by METRO AG, they were caused economically by the MWFS Business Division. Only a relatively small share of these Pre-Relevant Date Taxes for which METRO AG is liable was caused economically by the CE Business Division.

Taxes for the period after the Tax Transfer Effective Date (Post-Relevant Date Taxes) are to be borne by the Party of the Business Division to which they are to be allocated. In contrast to the period prior to the Relevant Date, due to the retroactive effect of the hive-down and spin-off for tax purposes, German income taxes will generally be incurred directly by the company which assumes the relevant Business Division.

(2) Transaction Taxes

§ 5.2 contains special provisions for Taxes caused by the hive-down, the spin-off and the preparatory measures, including the pre-structuring steps (so-called Transaction Taxes). If and to the extent that the Parties expect such Transaction Taxes, in principle and amount, MWFS AG will bear these taxes – irrespective of when they were incurred. If, contrary to the expectations of the Parties, more Transaction Taxes are incurred,

MWFS AG would in principle bear 75 percent of these Unexpected Transaction Taxes, while METRO AG would in principle bear 25 percent.

Sections VII.2.c) and d) outline both which Transaction Taxes are calculated by the Parties as well as which significant areas of tax risk exist. Unexpected Transaction Taxes can, in particular, arise if, contrary to the expectations of the Parties, the hive-down were not to be conducted in accordance with § 20 para. 2 sent. 2 UmwStG at the carrying amounts or if there were a violation of the seven year blocked period in future, which pursuant to § 22 para. 1 UmwStG applies to the 1 percent share of METRO AG in MWFS AG granted in return for the transfer of the hive-down assets (for details, see in particular Section VII.2.c)(2) above). In these cases the hidden reserves in the hive-down assets at the level of METRO AG would be disclosed in accordance with applicable tax laws, and be subject to corporation and trade tax; however, in the event of violations of the blocked period only, in principle, to the extent of the violation, as well as subject to a linear reduction of the taxable amount by one-seventh for each year that has passed since the Tax Transfer Effective Date. These taxes were incurred under tax law at the level of METRO AG, in the case of a transfer of a so-called Branch of Activity for the 2015/16 fiscal year, in which the Tax Transfer Effective Date occurred; in this year METRO AG has a higher current tax loss, according to current expectations, as well as considerable tax loss carry-forwards. A substantial tax burden would nevertheless be expected in such an unexpected case.

Such Unexpected Transaction Taxes resulting from the hive-down would, in principle, have to be borne by the Parties at a ratio of 75:25 in accordance with the general rule. However, violations of the blocked period, in particular – which may occur in the future during the seven-year blocked period (§ 22 para. 1 and 2 UmwStG) – can regularly be attributed to the conduct of one of the Parties and are therefore caused by that Party. In such cases of future violations of the blocked period by one of the Parties, this Party would, pursuant to § 5.2 lit. b) (ii), bear any Unexpected Transaction Taxes alone, if and to the extent that it caused the Taxes in this sense. The same applies if MWFS AG were to fail to submit the necessary application for the continuation of the carrying amount with the tax office. Causation by one of the Parties will also be considered to exist, according to the contractual stipulations, if the tax is caused by an event which lies within the sphere of risk of this Party; this also includes decisions by its shareholders (in particular decisions in accordance with the UmwG, such as if, for example, METRO AG or MWFS AG were to be transformed, or decisions concerning the exclusion of minority shareholders). Causation by one of the Parties alone will, however, not be deemed to exist, under the agreement, if in the event of a violation of the blocked period, the tax is to be levied as a result of conduct prior to the hive-down taking effect (i.e. a time at

which the company group had not yet been separated under civil law and during which the preparations for the hive-down and spin-off including the measurement were conducted; see also Section VII.2.a).

In addition to the principle of causation outlined for § 22 UmwStG and the carrying amount application, § 5.2 lit. b) also contains two more deviations from the principle that Unexpected Transaction Taxes are to be borne at a ratio of 75:25. For instance, the Parties would each pay half of any Unexpected Transaction Taxes in connection with METRO PROPERTIES GmbH & Co. KG (see Section VII.2.c)(1) above for details). The second deviation relates to dividend withholding tax on any hidden profit distributions made by MWFS AG to METRO AG, which METRO AG would have to bear alone. This deviation must be seen in the context of § 6.4 (for further details, see also Section f) below).

(3) Value added tax

§ 5.3 governs the tax liability for the current VAT. The background to this specific provision for VAT is that the companies belonging to the MWFS Business Division were predominantly part of a VAT tax group up until the Tax Transfer Effective Date (and thereafter until, at the latest, the hive-down or spin-off takes effect), of which METRO AG was the controlling company. All legal consequences relating to VAT up until the Tax Transfer Effective Date thus fell directly to METRO AG. At the same time, there was a VAT allocation scheme in place, which internally ensured that amounts of VAT as well as any deductible input tax amounts were allocated internally to the subsidiary companies according to economic criteria. § 5.3 stipulates the continuation of this VAT allocation scheme, which means that current VAT and current input tax deduction amounts relating to the period up until the hive-down or spin-off takes effect, at latest, and for which METRO AG is thus liable as the controlling company, are generally economically assigned to the companies belonging to the MWFS Business Division (as former subsidiary companies). The companies belonging to the MWFS Business Division will thus indemnify METRO AG from the VAT payable according to the VAT allocation scheme or METRO AG will pay any input tax surpluses to these companies.

f) Tax indemnity (§ 6)

In many cases, the Party which is contractually required to pay the Taxes pursuant to § 5, is – as explained – not the Party in whose Business Division the Tax is imposed according to tax law. For instance, the current Pre-Relevant Date Taxes, even if they are economically allocated to the MWFS Business Division and to be borne in full by this Business Division, generally arise at METRO AG (see Section e)(2) above). The same

would also apply to any Unexpected Transaction Taxes arising as a result of the hive-down. They would, according to tax law, arise in full at METRO AG, although economically – subject to any differing causation by METRO AG or MWFS AG – MWFS AG would generally be required to pay 75 percent (see Section e)(2) above).

In these cases (and in all other cases of the divergence of tax law and economic allocation) the Party in whose Business Division the Tax arises from a tax law point of view, pursuant to § 6.1 or § 6.2, has an Indemnity Claim against the other Party, if and to the extent that the contractually agreed tax liability deviates from the tax liability in accordance with tax law. If, for example, a current Pre-Relevant Date Tax to be allocated to the MWFS Business Division after the hive-down takes effect is levied for METRO AG for the first time (e.g. for 2015) or an existing tax assessment for a previous assessment period is changed (e.g. as a result of a tax field audit), MWFS AG is generally obliged, pursuant to § 6.1, to fully indemnify METRO AG of any (additional) burden resulting from these (changed) tax assessments; however, only the actual amount of cash-effective tax payable is relevant (no compensation e.g. for the "using up" of unused loss carry-forwards) (so-called "Cash-Tax Principle", see the explanatory notes to § 10.3 in Section j)).

Pursuant to § 6.3, this Indemnity Claim may be fully or partially excluded in certain cases. This includes, amongst other things, that the creditor of the Indemnity Claim has to accept that such cash-effective tax advantages which correspond to the tax from which he is indemnified will be set off. These so-called Offsetting Effects can, in particular, arise if, as a result of a tax field audit, costs which were initially posted as an expense are retrospectively activated by the tax field audit, meaning that although they would in the first step result in an amount that is generally taxable, they would subsequently result in benefits, for example due to higher amortisation. The Indemnity Claim is also excluded, if and to the extent that the indemnified Party has violated its cooperation obligations after the spin-off has taken effect (see Section i) below) and the Tax could have been avoided by diligent cooperation. This causality of non-compliant cooperation for the relevant Tax has to be proved by the indemnifying Party, to which end the indemnified Party, as a general rule, has to provide the other Party with comprehensive access to all relevant documents, data and information. In addition, it is clarified that claims for damages are excluded if cooperation obligations pursuant to § 8.2 lit. a) and lit. b) as well as § 9 are violated prior to the spin-off taking effect.

In addition to this, § 6.4 regulates a special case of Transaction Taxes (see already Section e)(2) above). It is impossible to completely rule out the possibility that there may be hidden profit distributions made by MWFS AG to METRO AG in the context of the transaction, which would result in dividend withholding tax for MWFS AG. Since METRO AG

would be able to count this dividend withholding tax against its own income tax liability, § 5.2 lit. b) (iii) in conjunction with § 6.2 provides that it is also liable to bear this tax internally and MWFS AG would have a corresponding Indemnity Claim. In order to prevent liquidity costs for METRO AG in this case, MWFS AG undertakes in § 6.4 to grant METRO AG an interest-free loan of the same amount in this case, which is to be repaid as soon as the dividend withholding tax is credited with payment effect, but no later than after twelve months. In order to avoid the aforementioned burden on liquidity due to dividend withholding tax entirely, if possible, METRO AG also undertakes to make every effort to obtain a so-called certificate of excess payment pursuant to § 44a para. 5 EStG.

g) Payment of Tax refunds and Offsetting Effects (§ 7)

A tax assessment cannot only lead to (additional) burdens, which result in the aforementioned claims to indemnification. It is also conceivable for there to be Tax refunds (e.g. if the advance payments made were too high or following successful appeal proceedings). If a Tax that has actually been refunded is a Tax which is not to be borne by the taxable Party, pursuant to § 5, but is to be borne economically by the other Party, that Party is obliged, pursuant to §§ 7.1 and 7.2 of the Group Separation Agreement, to turn over any Tax refund received with payment effect to the Party which is not liable to taxation (so-called entitlement to tax refunds). For proportional Tax liability in the case of Unexpected Transaction Taxes, this entitlement to Tax refunds only applies proportionately in accordance with the share of the Tax liability. § 7.3 excludes this entitlement to Tax refunds, if Tax has been refunded for which generally there would have been an entitlement to Tax refunds, which was not met. § 7.4 obliges the creditor in respect of the entitlement to Tax refunds to inform the debtor of such Tax refunds.

In addition to this, §§ 7.5 and 7.6 deal with separate claims to payment of the Offsetting Effects already mentioned above. The entitlement pursuant to § 7.5 applies if an Offsetting Effect has not already led to the exclusion of an entitlement to Tax refunds in accordance with § 6.3, because it has not yet been received with payment effect at the time of the indemnification by the creditor of the entitlement to Tax refunds. If such an Offsetting Effect then results in a lower Tax burden for the creditor of the entitlement to Tax refunds in a subsequent assessment period, the latter has to turn over this Offsetting Effect, which has now had a payment effect.

The background to the additional entitlement to payment of Offsetting Effects dealt with in § 7.6 is as follows: The Unexpected Transaction Taxes resulting from the hive-down described above (both if continuation of the carrying amount is not granted and in the event of a violation of the blocked period) could trigger an increase in the carrying amounts of the Hive-Down Assets at MWFS AG (see already Section e)(2) and Sec-

tion VII.2.c)(2) above), which could result in a considerably lower income tax assessment base for MWFS AG in the year of the increase and/or subsequent years. If the position of MWFS AG or any other company in the MWFS Business Division were to be improved as a result of such Offsetting Effects, MWFS AG would, pursuant to § 7.6, be obliged to turn these Offsetting Effects over to METRO AG in accordance with METRO AG's share of the Tax liability (subject to any differing causation, 25 percent of the Offsetting Effects would thus be turned over, as a general rule). This claim also exists if the Offsetting Effects manifest themselves in a cash-effective manner in a company which is not part of the MWFS Business Division (e.g. as a result of future restructuring), if the circumstance that the Offsetting Effects no longer manifest themselves in a company which is part of the MWFS Business Division occurred within a period of seven years after the Tax Transfer Effective Date; if the relevant circumstance (usually a restructuring) occurs after the expiry of such seven-year period, a payment claim regarding the Offsetting Effects only exists if the additional requirements of § 7.6 sent. 2 clause 2 are met. According to this provision, a claim only exists if and to the extent that (i) the Offsetting Effects manifested themselves by way of a cash-effective reduction of the tax liability in a company of the MWFS Business Division within the period until the occurrence of the circumstance and / or (ii) within the period after the occurrence of the circumstance (x) the Offsetting Effects manifested themselves in a company of the MWFS Business Division in another manner than by way of a cash-effective reduction of the tax liability and / or (y) a company of the MWFS Business Division received a consideration for the (future) reductions of tax liability for the other company.

§ 7.7 obliges the respective potential creditor of an entitlement to the payment of Offsetting Effects to inform the respective debtor annually on whether and to what extent it has received such Offsetting Effects.

h) Value added tax (§ 8)

The Parties concurrently assume that the hive-down is what is known as a transfer of an entire business and is therefore not subject to VAT. Should VAT nonetheless be applied to the hive-down, this would, in principle, be an Unexpected Transaction Tax, which would, as a general rule, arise for METRO AG. As a consequence, METRO AG would be entitled, according to the rules outlined above, to indemnification of 75 percent of this Tax burden, while METRO AG would be liable to pay 25 percent itself (see Section e)(2) above). However, this VAT would not ultimately be a Tax burden on the Parties, as MWFS AG would in principle be entitled to deductible input tax in the same amount. However, this entitlement requires a proper invoice from METRO AG. In the light of this, § 8 contains supplementary cooperation rules, which ensure that MWFS AG receives such an invoice without any delay (in principle according to the credit note procedure)

and that the input tax is reimbursed at the same time as the VAT payment is made by METRO AG, if possible. At the same time, MWFS AG is obliged to pay out 25 percent of the reimbursed input tax to METRO AG.

i) Cooperation on Tax Matters (§ 9)

The material provisions outlined above are procedurally supplemented by a general cooperation clause in § 9 of the Group Separation Agreement. § 9.1 obliges both of the Parties, in general terms, to cooperate with the objective of keeping the tax burden for both of the Parties as low as possible.

§§ 9.2 to 9.3 govern MWFS AG's participation in the taxation procedure, if it is liable to pay a tax internally, but the tax liability arises for a company in the CE Business Division. In this respect, § 9.2 relates to cooperation in filing tax returns, § 9.3 regulates cooperation in the rest of the taxation procedure (in particular in tax field audits and appeal proceedings). If MWFS AG is liable to pay more than 50 percent of the Tax in these cases pursuant to § 5 (which is generally the case), it is responsible for conducting the taxation proceedings, i.e. METRO AG is obliged to file tax returns and conduct other procedural steps within the statutory framework in accordance with the instructions given by MWFS AG. In addition to this, METRO AG is obliged to notify MWFS AG of all upcoming tax returns and tax assessment notices as well as other notices and communications from the tax office and provide all necessary information available to it. Pursuant to § 9.4, §§ 9.2 and 9.3 apply *mutatis mutandis* if METRO AG is liable to pay a Tax internally, although the tax liability arises for a company in the MWFS Business Division.

§ 9.5 regulates special cooperation obligations, in case the tax group relationships mentioned above, which existed between METRO AG and numerous companies belonging to the MWFS Business Division up until the Tax Transfer Effective Date, are contested by the tax authorities. The objective of this provision is to remedy the tax group relationships in such a situation, if possible, and/or to limit detrimental tax effects as far as is possible.

Pursuant to § 9.6, the obligation to cooperation applies from the Tax Transfer Effective Date. §§ 9.7 and 9.8 govern the allocation of costs and the liability for any suspension interest. § 9.9 specifies that the Parties are to continue to coordinate the details concerning cooperation between them in tax proceedings in accordance with § 9 even after the demerger has taken effect.

j) General provisions in respect of Taxes (§ 10)

§ 10 lays down some general rules relating to taxes, including definitions of terms as well as rules relating to the calculation, maturity and limitation of claims. For instance, the so-called "Cash Tax Principle" is incorporated in § 10.3, which is the guiding principle for the calculation of claims pursuant to §§ 5 to 10. Simply put, it means that all claims pursuant to §§ 5 to 10 require that the underlying facts (Tax, Tax refunds or Offsetting Effects) only lead to a claim if and to the extent that they have materialised for one of the Parties as cash-effective. § 10.10, in turn, regulates the statute of limitation. According to this provision, claims are subject to a 6-month period of limitation pursuant to §§ 6 and 7, after and to the extent that the tax assessment on which it is based has become final, both formally and in substance. In contrast, an absolute period of limitation, independent of whether the tax assessment has become legally binding (e.g. linked to the spin-off taking effect) is not provided for. Claims in accordance with §§ 6 and 7 are therefore conceivable, in principle, as long as the tax assessments concerned can still be changed or – for claims pursuant to §§ 7.5 and 7.6 – any Offsetting Effects could still have a cash-effective impact. Such changes to the tax assessments or cash-effective impacts due to Offsetting Effects are definitely possible for a prolonged period, in particular due to the continuous tax field audits, meaning that there may also be settlement obligations between the Parties for a prolonged period.

k) Holding periods (so-called lock-up) with respect to shares in MWFS AG (§ 11)

In § 11 METRO AG assumes a lock-up obligation in relation to the shares it holds, directly or indirectly, in MWFS AG. § 11.1 applies to the shares granted to METRO AG as part of the hive-down capital increase (approx. 1 percent of the capital stock of MWFS AG after the spin-off). In this respect, METRO AG undertakes, in view of the fiscal blocked period (see Section VII.2.b)(2)), not to dispose of its MWFS Shares received as part of the hive-down until the expiry of a holding period of seven years and one day after the Tax Transfer Effective Date (with the proviso that the term 'disposal' is broadly defined in the Group Separation Agreement, but in each case requires certain conduct, i.e. an act, tolerating or omission by METRO AG). Pursuant to § 11.3, the legal consequences of a violation relating to the liability to pay the resulting Taxes are only governed by the Tax regulations in Section D of the Group Separation Agreement.

§ 11.2 contains a holding period of six months after the first day of trading of the MWFS Shares on the Frankfurt Stock Exchange relating to all other shares in MWFS AG held by METRO AG, directly or indirectly, on the effective date. In particular, this applies to the MWFS Shares currently held by METRO Consumer Electronics Zwischenholding

GmbH & Co. KG which will represent around 9 per cent of the capital stock of MWFS AG after the hive-down taking effect.

l) Non-competition clause (§ 12)

§ 12 contains a mutual non-competition clause for a period of two years from the date on which the spin-off takes effect, although current activities as at 0:00 a.m. on 1 October 2016, and the further development of these activities are explicitly exempted.

m) Granting of loans (§ 13)

In § 13, the Parties undertake to ensure – if and to the extent that METRO AG expresses by 31 March 2017 that this is required – (1) that MWFS AG or one of the MWFS Associated Companies (e.g. METRO Finance B.V.) will conclude (as lender) with METRO AG (CE Business Division) (as borrower) (which means that the loan liability will be part of the CE Assets) (i) a loan agreement regarding a loan in the amount of EUR 40 million with a term of eleven months as of the date of conclusion of the agreement and (ii) a loan agreement regarding a loan in the amount of up to EUR 15 million with a term until 31 March 2017 and (2) that any and all steps still required for the implementation thereof will be taken. It is intended that the loans will be negotiated on an arm's length basis, which must be evidenced and documented. For this purpose, it must be assumed that the spin-off has already taken effect, which means that METRO AG must be assumed as borrower exclusive of the MWFS Business Division transferred by way of the Demerger Agreement.

n) Confidentiality (§ 14)

§ 14 contains usual confidentiality provisions in relation to information resulting from the common group affiliation of the Business Divisions or from information rights under the Group Separation Agreement or the Demerger Agreement.

o) Fulfilment of claims (§ 15)

Since the Group Separation Agreement also regulates such rights and obligations of the Parties at various instances which apply to the group companies or affiliated companies of one of the Parties, § 15.1 stipulates that the Group Separation Agreement only grants rights to and imposes obligations on the Parties. In this context, § 15.2 contains an obligation for each of the Parties to assume responsibility for their Group Companies to adhere to the provisions of the Group Separation Agreement. § 15.3 contains an assignment prohibition regarding claims arising from the Group Separation Agreement, with the exception of assignments to group companies of the assigning Party.

Düsseldorf, 13 December 2016

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