Changes to the Remuneration System applying to the Members of the Management Board effective as of effectiveness of the spin-off

– December 2016 –

Preamble

METRO AG is currently preparing the separation of the group into two independent, listed companies, one with the business sector wholesale & food specialist and one with the business sector consumer electronics. The effectiveness of the spin-off is planned for mid-2017 and therefore in the course of the fiscal year 2016/17. The current remuneration system for the members of the Management Board does not take into account the planned separation of METRO GROUP. Against this background the Supervisory Board of METRO AG developed new remuneration systems for both entities which are specifically tailored to the respective business sector. These remuneration systems will be introduced as of effectiveness of the spin-off. Besides the legal provisions the new remuneration systems take into account also the recommendations of the German Corporate Governance Codex (GCGC). The decision on the remuneration system for the Management Board for the business sector wholesale and food specialist will be taken by the Supervisory Board of this entity. Hereafter the remuneration system for the Management Board for the business sector consumer electronics is described, which has been approved by the Supervisory Board of METRO AG in its meeting on 15 November 2016 following the recommendation of the Personnel Committee of the Supervisory Board of METRO AG.

Approval by Annual General Meeting of METRO AG

Pursuant to § 120 section 4 of the German Stock Corporation Act, the annual general meeting can grant the approval for the remuneration system for the members of the Management Board. The hereafter described remuneration system is submitted by the Management Board and Supervisory Board of METRO AG to the ordinary annual general meeting of METRO AG on 6 February 2017 as agenda item 7 for approval. This brochure serves as information for the shareholders of METRO AG on the basic principles of the remuneration system.

New Remuneration System for the Management Board of CECONOMY AG[1]

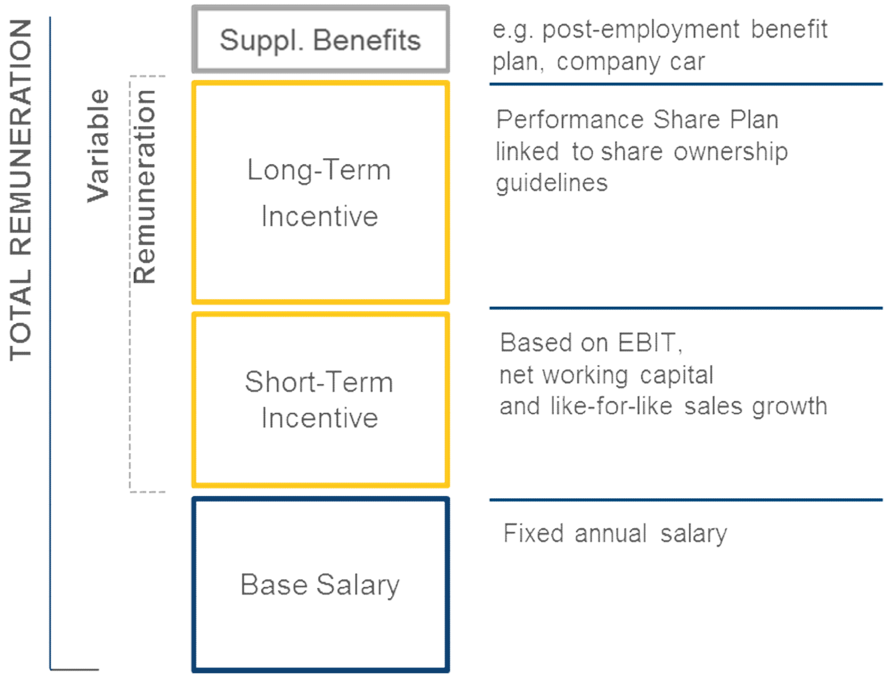
Besides the fixed salary the remuneration system for the Management Board includes two variable components: a short-term performance-based component, the short-term incentive (in the following referred to as "STI") and the performance-based component with long-term incentive effect, the long-term incentive (in the following referred to as "LTI"). The LTI is linked to the share ownership guidelines. In addition, the Company grants a post-employment benefit plan and other supplemental benefits.

The total compensation as well as the single remuneration components are in appropriate proportion to the tasks and performance of the respective member of the Management Board as well as the situation of the Company and are determined individually concerning the total amount as well as the amount of the single remuneration components. The variable remuneration sets performance incentives to increase the Company value and is orientated towards a long-term and sustainable Company development. In order to ensure the long-term effect of the remuneration, the weighting of STI and LTI shall, as a general rule, be at a ratio 40:60.

[1] In the following referred to as "Company", company name for METRO AG (registered at the trade register of the Local Court of Duesseldorf with no. HRB 39473) after effectiveness of the spin-off of the business sector wholesale & food specialist subject to the approval of the annual general meeting of METRO AG on 6 February 2017 to the respective amendment of the articles of association.

METRO GROUP

With effect as of effectiveness of the spin-off the new remuneration system is structured as follows:



1. Base Salary

The fixed annual salary for the members of the Management Board is firmly determined and is paid in monthly instalments.

2. Short-Term Incentive (STI)

The STI rewards the operational Company development based on three financial parameters related to the Company performance and the respective fiscal year, which are each weighted one-third in the STI target amount:

1. Earnings before interests and taxes (in the following referred to as: “EBIT“). As of the fiscal year 2017/18 the reported EBIT (including special items) is the basis for the determination of the EBIT target achievement;
2. Net Working Capital (in the following referred to as: “NWC“); and
3. Like-for-like Sales Growth (in the following referred to as: “LfL sales growth”). The term defines the sales growth in local currency on comparable selling space and referring to a comparable store portfolio or sales concepts like online.

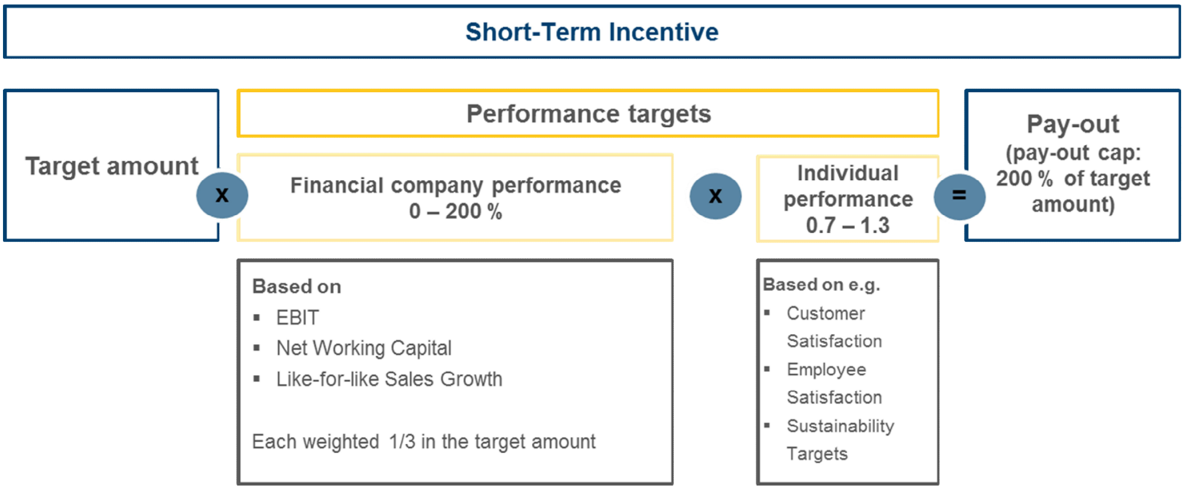
Generally before the beginning of the fiscal year, the Supervisory Board determines performance targets for each of the three parameters. The basis for the determination of the targets is the budget planning, which needs to be approved by the Supervisory Board. For the determination of the target achievement the Supervisory Board defines for each parameter a lower threshold (entrance hurdle) as well as a target value for the 100 per cent target achievement. A specific factor is assigned to each level of the target achievement: If the level of target achievement is less than or equal to the entrance hurdle, the factor is 0.0. If the target achievement is 100 per cent, the factor is 1.0. The factor for all other values (including exceeding factor 1.0) is calculated by using linear interpolation (rounded to two decimal places).

The overall factor for the target achievement of the financial performance targets is calculated by using the arithmetic mean of the three single target factors (rounded to two decimal places) and is capped at a factor of 2.0.

In general, the Supervisory Board reserves the right to reduce or increase the STI for each member of the Management Board considering the individual performance according to a criteria-based discretionary decision. Therefore, at the beginning of each fiscal year, individual focus topics are determined with each member of the Management Board which result from the strategic and sustainable Company development. Thereby the individual performance is taken into account.

The gross pay-out amount of the STI is calculated by multiplying the individual target value determined by the Supervisory Board for each member of the Management Board with the total factor of the three before-mentioned performance targets and the performance factor determined for each member of the Management Board individually.

Pay-outs from the remuneration component STI are capped at 200 per cent of the agreed individual target amount (pay-out cap).



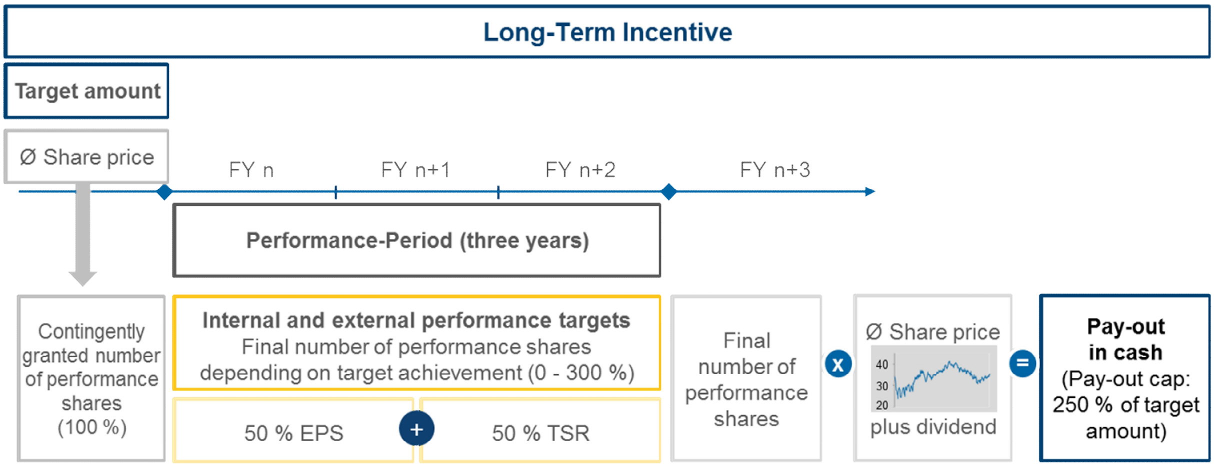
The STI is paid out four months after the end of the fiscal year, but not before the approval of the corresponding annual and consolidated financial statements by the Supervisory Board.

3. Long-Term Incentive (LTI) – Performance Share Plan

The LTI incentivizes a sustainable and long-term Company development considering the internal and external value development as well as the interest of the shareholders and the other stakeholders connected to the Company. Therefore, a multi-year assessment basis applies. The yearly granted tranches of the Performance Share Plan have a three-year performance period.

Each member of the Management Board are granted contingent performance shares; their number corresponds to the quotient of the individual target amount and the average of the share price of the ordinary share of the Company at the point of time of granting of the performance shares. The average price of the Xetra-closing price of the ordinary share of the Company over a time period of 40 continuous trading days immediately after the ordinary general meeting of the Company in the grant year is relevant. The performance period ends on the 40th trading day after the ordinary general meeting of the third fiscal year after granting of the tranche. After the end of the performance period of a tranche the final number of performance shares is determined. This number depends on the achievement of two performance targets which are each weighted half in the target amount of the LTI:

1. Reported Earnings per Share (in the following referred to as: "EPS");
2. Total Shareholder Return (in the following referred to as: "TSR").



a. *EPS-Component*

In general at the beginning of the fiscal year in which the tranche of the performance share plan is granted, the Supervisory Board defines a lower threshold (entrance hurdle) for the target achievement and an EPS target value for the 100 per cent target achievement for the third fiscal year of the performance period. A specific factor is assigned to each level of the target achievement: If the level of target achievement after the end of the performance period is less than or equal to the entrance hurdle, the factor is 0.0. If the target achievement is 100 per cent, the factor is 1.0. The factor for all other values (including exceeding factor 1.0) is calculated by using linear interpolation (rounded to two decimal places).

b. *TSR-Component*

The target achievement factor of the TSR-component is measured by the development of the shareholder return of the ordinary share of the Company in the performance period relatively to a defined benchmark index or to a defined peer group. The Supervisory Board also defines in general at the beginning of the fiscal year in which the tranche of the performance share plan is granted, a lower threshold (entrance hurdle) and a TSR-target value for the 100 per cent target achievement.

For the determination of the target achievement the Xetra-closing prices of the ordinary share of the Company are determined over a time period of 40 continuous trading days immediately after the ordinary general meeting of the Company in the year of granting of the tranche. The average thereof is calculated, the so-called starting price. On the 41st trading day after the ordinary general meeting the performance periods starts for this component. Again over a time period of 40 continuous trading days immediately after the ordinary general meeting three years after determination of the starting price and granting of the respective tranche, the Xetra-closing prices of the ordinary share of the Company are determined. Again the average thereof is calculated, the so-called closing price. The TSR is calculated from the change of the share price of the ordinary share of the Company and the sum of hypothetical re-invested dividends over the performance period in relation to the starting price as percentage pursuant to the following formula:

$$\textbf{TSR} = \frac{\textit{end price}_3 \times \prod_{t=1}^{3} \textit{dividend adjustment factor}_t}{\textit{open price}_0} - 1$$

$$\textbf{Dividend adjustment factor}_t = \frac{\textit{closing price before dividend payout}_t}{\textit{closing price before dividend payout}_t - \textit{dividend payout}_t}$$

The calculated TSR of the Company is compared to the TSR of a defined benchmark index or a defined peer group (index-TSR) in the performance period. A specific factor is assigned to each level of the target achievement: If the level of target achievement after the end of the performance period is less than or equal to the entrance hurdle, the factor is 0.0. If the target achievement is 100 per cent, the factor is 1.0. The factor for all other values (including exceeding factor 1.0) is calculated by using linear interpolation.

c. Determination of target number of performance shares and pay-out amount

From the target achievement factors of the EPS- and TSR-components the arithmetic mean is calculated which defines the total target achievement factor. With this total target achievement factor the target number of performance shares is defined which lead to a cash pay-out in Euros at the end of the performance period of the tranche. If the total target achievement factor for both components is 1.0, the target number of performance shares corresponds to the number of contingently granted performance shares; if the total target achievement factor is 0.0, the number of performance shares drops to zero. For all other target achievements, the target number of performance shares is calculated by using linear interpolation. The number is capped at a maximum of 300 per cent of the contingently granted number of performance shares.

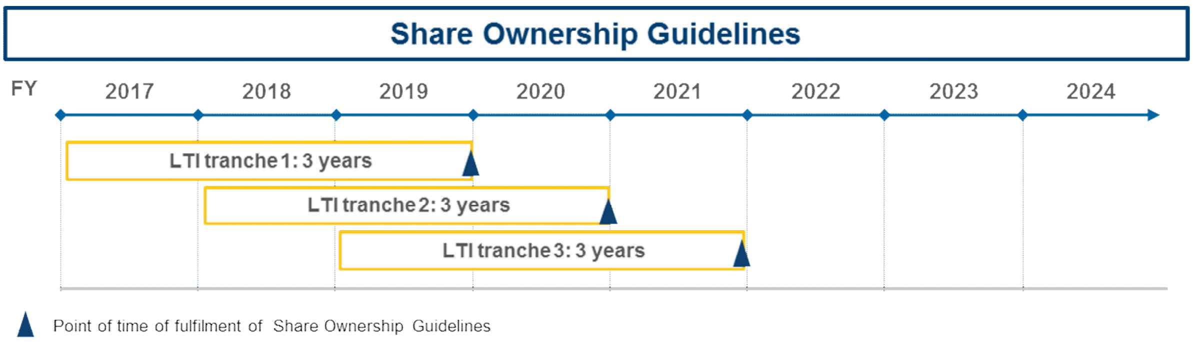
The pay-out amount per performance share is calculated as follows: Again over a time period of 40 continuous trading days immediately after the ordinary general meeting three years after the determination of the starting price and granting of the respective tranche, the Xetra-closing prices of the ordinary share of the Company are determined. Again, the average thereof is calculated and all dividends paid per ordinary share of the Company during the performance period are added. This so-called share coefficient is multiplied with the number of calculated performance shares and results in the gross pay-out amount.

The pay-out amount is capped at a maximum of 250 per cent of the agreed individual target amount (pay-out cap).

Payouts will be made no later than four months after the ordinary general meeting, in which the annual financial statement and the approved consolidated financial statement for the last fiscal year of the performance period is approved, but not before the approval of all annual and consolidated financial statements for each fiscal year of the performance period.

d. Share Ownership Guidelines

Together with the performance share plan the so-called share ownership guidelines are introduced. As condition for the pay-out of performance shares in cash the members of the Management Board are obliged to build up a self-financed investment in ordinary shares of the Company for each tranche until the end of February in the third year of the performance period. The amount to be invested per tranche for the Chairman of the Management Board is two thirds of his gross yearly fixed salary and for an ordinary member of the Management Board 50 per cent of his gross yearly fixed salary. At the latest after five years of service the Chairman of the Management Board must have invested 200 per cent and an ordinary member of the Management Board 150 per cent of their gross yearly fixed salary in ordinary shares of the Company, related to the calculated purchase price for the respective shares. The purchase price and thus the number of ordinary shares to be purchased depends on the average price of the Xetra-closing prices of the ordinary share of the Company on 40 continuous trading days after the annual press conference, which takes place before February in the third year of the performance period, and equals the quotient from the amount to be invested from the gross yearly fixed salary and the calculated average price. If the self-financed investment in ordinary shares of the Company as of the respective necessary due date is not or not completely fulfilled, the calculated pay-out amount is at first paid out in cash, but with the obligation to invest in ordinary shares of the Company until the share ownership guidelines are fulfilled.



e. Regulations for Leaving the Management Board

In case a member of the Management Board leaves the Company at the end of his regular term of contract, the acquired entitlements will not be paid out prematurely, but paid out pursuant to the conditions of the LTI at the regular end of the tranches in the same way as for the active members of the Management Board.

Pay-outs from the LTI will not be rendered in the following cases:

- Release from duties of a member of the Management Board for a good cause;
- immediate dismissal of a member of the Management Board;
- Termination of the employment contract by the Company for a good cause; as well as
- early termination of the employment contract or revocation from the appointment as member of the Management Board or release from duties by the Company initiated by the respective member of the Management Board.

The Supervisory Board can deviate from this rule at its reasonable discretion if indications for well-founded exceptions, e.g. hardship cases, are given.

In case of a revocation of the appointment by mutual agreement and/or amicable early termination of the employment contract of a member of the Management Board which is not initiated by this member of the Management Board, the payout amount will be calculated pro rata temporis for the time period until the release from duties from the Management Board position. Commenced calendar months are fully taken into consideration, whereas not yet granted tranches are not taken into consideration. The pay-out of LTI-benefits is made as to the regular end of the tranches in the same way as for the active members of the Management Board.

4. Post-employment Benefit Plan

The post-employment benefit plan is designed in form of a direct commitment with a contribution-based and a performance-based component.

The financing of the contribution-based component is made jointly by the members of the Management Board and the Company with the apportionment “7 + 14”. If the member of the Management Board makes a contribution of 7 per cent of his defined basis for assessment, the Company will contribute the double amount. The basis for assessment depends on the amount of the fixed salary and the target amount of the STI. In case the member of the Management Board leaves the company before the benefits become due, the achieved status of the entitlements remains unchanged. The contribution-based components are congruently reinsured by the Hamburger Pensionsrückdeckungskasse VVaG (HPR). The interest payment on the contributions is done pursuant to the articles of association of HPR for profit participation with a guarantee on the paid-in contributions. Claim on benefits is given

- if the employment relationship ends with or after reaching the standard retirement age in the German statutory pension insurance,
- as early retirement benefit if the employment relationship ends after reaching the age of 60 or after reaching the age of 62 for pension entitlements which were granted after 31 December 2011 and before reaching the standard retirement age,
- in case of invalidity or death if the respective conditions for benefits are met.

Pay-out can be rendered as capital, instalment payments or life pension. In case of invalidity or death the minimum pay-out is granted. The existing benefit assets are increased by the sum of contributions that would in future have been credited to the member of the Management Board for each calendar year until a contribution period of in total ten years, but not more than until reaching the age of 60. This performance-based component is not reinsured but is paid directly by the Company if the benefits become due.

Furthermore, the members of the Management Board have the possibility to convert future remuneration components from the fixed salary and the variable remuneration in the framework of a tax-privileged deferred-compensation into entitlements to a post-employment benefit plan at HPR.

5. Other Supplementary Benefits

Along with the post-employment benefit plan, the supplemental benefits granted to members of the Management Board include non-cash benefits from benefits-in-kind (e.g. company car).

6. Pay-out Caps

Pursuant to clause 4.2.3 of the German Corporate Governance Code the remuneration shall in total and with regard to its variable components be capped regarding the amount. With the pay-out caps of the STI (200 per cent of the target amount) and the LTI (250 per cent of the target amount) the variable remuneration components are limited with regard to the amount, the post-employment benefit plan due to the proportional contribution on the basis of assessment. The cap for other supplementary benefits is determined as in total EUR 150,000. Furthermore, the remuneration for each member of the Management Board individually is capped at a total maximum amount (total pay-out cap). Therefore, for each member of the Management Board the remuneration in total and with regard to the single remuneration components is capped.