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**CE GROUP
COMBINED INTERIM
FINANCIAL
INFORMATION FOR THE
THREE MONTHS ENDED
31 DECEMBER 2016**

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This combined interim financial information is a translation of the respective German-language document.

Combined income statement

€ million	Q1 2015/16	Q1 2016/17
Sales	6,890	6,893
Cost of sales	-5,523	-5,528
Gross profit on sales	1,367	1,365
Other operating income	43	45
Selling expenses	-991	-975
General administrative expenses	-121	-122
Other operating expenses	-1	-3
Earnings before interest and taxes EBIT	297	310
Other investment result	0	0
Interest income	6	4
Interest expenses	-6	-4
Other financial result	-2	1
Net financial result	-2	1
Combined earnings before taxes EBT	295	311
Income taxes	-116	-208
Combined profit or loss for the period after taxes	179	103
Combined profit or loss for the period attributable to non-controlling interests	43	26
Combined profit or loss for the period attributable to METRO GROUP	136	77
Earnings per share in €	0.42	0.23

Combined balance sheet

Assets

€million	30/9/2016	31/12/2015	31/12/2016
Non-current assets	1,843	1,756	1,825
Goodwill	525	513	525
Other intangible assets	77	93	82
Property, plant and equipment	881	807	866
Investment properties	0	0	0
Financial assets	73	14	78
Investments accounted for using the equity method	5	0	0
Other financial and non-financial assets	51	102	56
Deferred tax assets	231	227	218
Current assets	5,260	8,193	8,675
Inventories	2,393	3,247	3,288
Trade receivables	326	336	365
Financial assets	0	1	0
Other financial and non-financial assets	1,679	1,977	2,374
Entitlements to income tax refunds	93	126	100
Cash and cash equivalents	769	2,506	2,548
Assets	7,103	9,949	10,500

Equity and liabilities

€million	30/9/2016	31/12/2015	31/12/2016
Equity	360	128	459
Net assets attributable to METRO GROUP and other items of equity	382	141	467
Non-controlling interests	-22	-13	-8
Non-current liabilities	916	876	868
Provisions for post-employment benefits plans and similar obligations	769	714	728
Other provisions	62	68	54
Borrowings	16	17	17
Other financial and non-financial liabilities	64	64	65
Deferred tax liabilities	5	13	4
Current liabilities	5,827	8,945	9,173
Trade liabilities	4,502	7,494	7,574
Provisions	170	141	175
Borrowings	2	10	3
Other financial and non-financial liabilities	1,110	1,147	1,215
Income tax liabilities	43	153	206
Equity and liabilities	7,103	9,949	10,500

Combined cash flow statement		
€million	Q1 2015/16	Q1 2016/17
EBIT	297	310
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	56	58
Change in provisions for pensions and other provisions	-23	-22
Change in net working capital	1,472	1,631
Income taxes paid	-39	-47
Reclassification of losses from the disposal of fixed assets	1	0
Other	189	-45
Cash flow from operating activities	1,953	1,885
Acquisition of subsidiaries	-55	-6
Investments in property, plant and equipment (excl. finance leases)	-76	-72
Other investments	-9	-12
Disposals of subsidiaries	0	0
Disposal of fixed assets	373	16
Losses from the disposal of fixed assets	-1	0
Cash flow from investing activities	232	-74
Dividends paid	-15	-28
Redemption of liabilities from put options of non-controlling interests	0	0
New borrowings	0	1
Redemption of borrowings	-398	0
Interest paid	-6	-4
Interest received	6	4
Profit and loss transfers and other financing activities	-1	2
Transactions with METRO GROUP	-245	1
Cash flow from financing activities	-659	-24
Total cash flows	1,526	1,787
Currency effects on cash and cash equivalents	1	-8
Total change in cash and cash equivalents	1,527	1,779
Cash and cash equivalents as of 1 October	979	769
Cash and cash equivalents as of 31 December	2,506	2,548

Segment reporting¹

Operating segments	DACH ²		Western/Southern Europe		Eastern Europe		Other/Holding Company		Consolidation		CE GROUP	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
External sales (net)	3,971	3,976	2,011	2,036	684	699	223	182	0	0	6,890	6,893
Internal sales (net)	17	4	1	2	0	0	13	5	-30	-11	0	0
Sales (net)	3,988	3,980	2,011	2,038	685	699	236	188	-30	-11	6,890	6,893
EBITDA	236	258	96	88	25	32	-4	-10	0	0	353	368
EBITDA before special items	245	260	96	88	24	26	-4	-11	0	0	361	363
Depreciation/ amortisation/impairment losses	28	29	18	19	8	9	2	1	0	0	56	58
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	208	229	78	69	17	23	-6	-11	0	0	297	310
EBIT before special items	217	231	78	69	15	17	-6	-13	0	0	304	305
Investments	35	32	20	17	8	5	1	1	0	0	64	55
Long-term segment assets	860	871	469	499	156	138	22	20	9	0	1,515	1,529

¹ Includes external sales for Germany of €3,293 million in Q1 2016/17 (Q1 2015/16: €3,291 million) and external sales for Italy of €687 million (Q1 2015/16: €686 million); as of 31 December 2016 includes long-term segment assets in the amount of €751 million for Germany (31/12/2015: €746 million) and €156 million for Italy (31/12/2015: €154 million)

² Includes Germany, Austria, Switzerland and Hungary

Special items¹

Special items						
€ million	As reported		Special items		Before special items	
	Q1 2015/16	Q1 2016/17	Q1 2015/16	Q1 2016/17	Q1 2015/16	Q1 2016/17
EBITDA	353	368	7	-5	361	363
thereof DACH	236	258	9	1	245	260
Southern/Western Europe	96	88	0	0	96	88
Eastern Europe	25	32	-2	-6	24	26
Other/holding company	-4	-10	0	-1	-4	-11
Consolidation	0	0	0	0	0	0
EBIT	297	310	7	-5	304	305
thereof DACH	208	229	9	1	217	231
Southern/Western Europe	78	69	0	0	78	69
Eastern Europe	17	23	-2	-6	15	17
Other/holding company	-6	-11	0	-1	-6	-13
Consolidation	0	0	0	0	0	0
Net financial result	-2	1	0	0	-2	1
Combined earnings before taxes EBT	295	311	7	-5	302	306
Income taxes	-116	-208	-2	61	-118	-147
Combined profit or loss for the period after taxes	179	103	5	56	184	159
Combined profit or loss for the period attributable to non-controlling interests	43	26	2	13	45	39
Combined profit or loss for the period attributable to METRO GROUP	136	77	3	43	139	120
Earnings per share in €	0.42	0.23	0.01	0.14	0.43	0.37

¹ See for definition of special items METRO Group annual report 2015/16 p. 54

Accounting principles and methods applied to the combined interim financial information

Background and purpose of the combined interim financial information

In the current organisational set-up, MDAX-listed METRO AG serves as the holding company for METRO GROUP. METRO GROUP is a leading international wholesale and retail group whose operations also comprise online wholesale and retail. Three independent sales lines assume key positions in these areas: Media-Saturn (CE division), focused on consumer electronics retailing, and the wholesale and food retail specialists METRO Cash & Carry and Real (together: MWFS division). The Management Board of METRO AG is currently preparing the demerger of the highly divergent CE and MWFS divisions into two independent, stock-listed companies. The fact that the company was examining such a demerger had been announced in an ad-hoc statement on 30 March 2016. After completing its assessment and with approval of the Supervisory Board, the Management Board decided to implement the necessary preparatory measures, announcing its decision on 5 September 2016. In preparation of the demerger, several legal transactions were conducted within METRO GROUP to bundle the group companies of the MWFS division. As a result, the CE and MWFS divisions will be managed separately as part of two separate, independent and stock-listed holding companies in the future.

To implement the demerger, METRO AG and METRO Wholesale & Food Specialist AG signed a hive-down and spin-off agreement (demerger agreement) on 13 December 2016. The Annual General Meetings of METRO AG and METRO Wholesale & Food Specialist AG approved the demerger agreement on 6 February 2017 and 10 February 2017, respectively. In the context of the planned demerger of METRO GROUP, several METRO AG shareholders have challenged the resolutions made by the Annual General Meeting of METRO AG on 6 February 2017, including the approval of the demerger agreement. All of these legal actions are pending at the district court of Düsseldorf. In spite of these legal actions, the Management Board of METRO AG has confirmed the timeline for the completion and effective dates of the hive-down and spin-off as well as the exchange listing of the shares of METRO Wholesale & Food Specialist AG, which is planned for the mid of calendar year 2017.

Following the implementation of the legal reorganisation, today's METRO AG will serve as the stock-listed holding company for all economic activities of the CE division. In the following, all of these economic activities will be referred to as CE GROUP. The MWFS division is bundled under METRO Wholesale & Food Specialist AG as the future holding company and will be referred to as MWFS GROUP in the following.

On 6 December 2016, METRO AG already presented voluntary, unaudited disclosures showing the development of CE GROUP in the combined financial information for the financial years ended on 30 September 2016, 2015 and 2014 (combined financial information). Accordingly, METRO AG has prepared this combined interim financial information for the three months from 1 October 2016 to 31 December 2016 (combined interim financial information).

CE GROUP is managed by the Management Board of METRO AG, Metro-Straße 1, 40235 Düsseldorf, Germany. The preparation of the combined interim financial information of CE GROUP by the Management Board of METRO AG was completed on 21 March 2017.

Combination group

Based on the stipulations of the demerger agreement between METRO AG and METRO Wholesale & Food Specialist AG, the combined interim financial information reflects the economic activities of CE GROUP, which was under common control of METRO AG during Q1 2016/17 and Q1 2015/16. The combined interim financial information thus includes those assets and liabilities as well as expenses and income of METRO GROUP that were part of the economic activities of CE GROUP in the past and therefore will not be hived down or spun off to METRO Wholesale & Food Specialist AG as part of the legal reorganisation of METRO GROUP.

Unlike in the combined financial information and in Q1 2015/16, no allocation keys had to be used to determine the economic activities of METRO AG (mixed company) in the preparation of the combined interim financial information. Instead, the financial data for the economic activities of CE GROUP presented in this combined interim financial information could be taken from the separate accounting area for CE-related activities within METRO AG as of Q1 2016/17. This approach provides for more accurately determining the economic activities presented in the combination group. In this case, however, it had no material impact compared to the use of allocation keys in the combined financial information. With respect to the other mixed companies (METRO Group Clearing GmbH and METRO Innovations Holding GmbH), expenses and income as well as assets and liabilities could already previously be allocated to CE GROUP and MWFS GROUP, respectively, without making use of allocation keys. Since Q1 2016/17, services rendered between CE GROUP and MWFS GROUP related to corporate headquarter functions (METRO AG) have been invoiced and settled under the Transitional Service Agreement (TSA).

In accordance with the allocation of METRO GROUP's net debt to MWFS GROUP, the cash and cash equivalents of METRO AG were principally allocated to MWFS GROUP and not to CE GROUP in the combined financial information. As a result, cash transactions that were attributable to the business activities of CE GROUP were shown as contributions to or withdrawals from equity in the combined financial information of CE GROUP. In Q1 2015/16, they essentially concerned cash outflows of €177 million from METRO Unterstützungskasse e.V. and withdrawals of €65 million in connection with METRO Kaufhaus und Fachmarkt Holding GmbH. Since 30 September 2016, the cash and cash equivalents of METRO AG have been allocated to CE GROUP in accordance with the stipulations of the demerger agreement. As a result, no additional cash inflows and outflows to be shown as equity contributions or withdrawals in this combined interim financial information occurred in Q1 2016/17.

CE GROUP is currently included in the METRO AG group of companies (METRO GROUP) and does not constitute an independent group. This combined interim financial information therefore does not serve as a guide to the results that CE GROUP would have achieved during this period as a separate, stand-alone group with independent central functions. The combined interim financial information also does not serve as a guide to future results of CE GROUP.

Accounting principles

METRO AG has principally prepared this combined interim financial information of CE GROUP in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU) and in consideration of IAS 34. As no full IFRS notes were prepared, this combined interim financial information does not represent full IFRS interim financial statements. The IFRS provide no guidelines for the preparation of combined financial statements. Therefore, as per IAS 8.12, the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and accepted industry practices shall be considered when preparing combined interim financial information.

The combined balance sheet of CE GROUP results from the combination of the net assets of all companies and economic activities included in the combination group. Intra-group balances, income and expenses as well as gains and losses from transactions between companies included in the combination group have been eliminated. Capital consolidation was effected with respect to existing shareholdings within the combination group of CE GROUP.

The same accounting principles and values on which the financial information in the combined financial information of CE GROUP are based are generally applied to the combined interim financial information with the exception of the accounting principles and values listed in the section *new accounting standards*.

The previous year's figures shown in the combined interim financial information are presented as though CE GROUP had already existed in the structure foreseen following the implementation of the legal reorganisation of METRO GROUP. All comparable information for the previous year is therefore based on the presentation in the combined (interim) financial information of CE GROUP.

The calculation of income tax in this combined interim financial information is based on the integral approach, according to which the income tax for the quarter is derived from the expected tax rate for the respective financial year. As in the combined financial information, all current and deferred taxes recognised at METRO AG as the controlling entity of the German group of incorporated companies (until 30 September 2016) are attributed pro rata to those parts of the group of incorporated companies that are

included in the combination group (future group of incorporated companies of CE GROUP), applying the group allocation approach.

Given the special importance of this metric for capital markets, CE GROUP has decided to disclose earnings per share. This is a pro forma disclosure that is not required by the IFRS as this disclosure represents combined interim financial information and as such no shares exist within CE GROUP. The number of shares includes the shares of METRO AG as the company will serve as the stock-listed holding company of CE GROUP following the demerger of MWFS GROUP. In Q1 2016/17, assumed earnings per preference share amounted to €0.29 (Q1 2015/16: €0.48) and thus exceeded earnings per share by the amount of the additional dividend for preference shares of €0.06 (Q1 2015/16: €0.06).

The estimates and assumptions of the Management Board of METRO AG applied to this combined interim financial information have been made on the basis of the same principles as in the combined financial information. Actual results can deviate from these estimates.

The combined interim financial information has been prepared in euros. Unless stated otherwise, all amounts are shown in millions of euros (€ million). Amounts below €0.5 million are rounded and reported as €0 million. The combined income statement, the combined balance sheet and the combined cash flow statement have been rounded to produce the respective totals. In all other tables, the individual amounts and the totals were rounded separately. Rounding differences may occur.

New accounting rules

Changes to IFRS that are relevant for CE GROUP and were applied for the first time on 1 October 2016 are explained in the following.

IAS 1 (Presentation of Financial Statements)

In the context of the Disclosure Initiative, the following amendments to IAS 1 (Presentation of Financial Statements) were made with respect to the materiality principle, the presentation of the asset position, the income statement or other comprehensive income as well as disclosures in the notes to the financial statements.

In accordance with the materiality principle, information should not be obscured by aggregating information; materiality considerations apply to all parts of a financial statement, and the materiality principle must be considered even when a standard requires a specific disclosure.

The amendment clarifies that the list of line items to be presented in the financial statements can be disaggregated and aggregated as relevant and include additional guidance on subtotals in these statements. In addition, an entity's share of other comprehensive income of equity-accounted associates and joint ventures is presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

With respect to the notes to the financial statements, the amendment clarifies that understandability and comparability should be considered when determining the order of the notes.

The described amendments have no material impact on the disclosures in the combined interim financial information of CE GROUP.

Additional IFRS amendments

Four standards were amended as part of the IFRS Annual Improvement Project 2012-2014. The rewording of individual IFRS/IAS is intended to clarify existing regulations. The amendments concern the standards IFRS 5, IFRS 7, IAS 19 and IAS 34.

The amendments have no material impact on the combined interim financial information of CE GROUP.