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The combined financial statements of CECONOMY have not been audited and may also deviate substantially from (segmental or other) information in the consolidated financial statements of the METRO Group and, thus, may not be fully comparable to such financial statements. In addition, the historical financial and operative information included in this presentation does not necessarily fully reflect changes that will occur when we, the prospective CECONOMY business, operate as a separate company. Accordingly, such information is not necessarily indicative for the future consolidated results of operations, financial position or cash flows of the prospective CECONOMY business on a stand-alone basis.

CE GROUP
COMBINED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2016, 2015 AND 2014

These combined financial statements are a translation of the respective German-language document.

Combined income statement for financial years 2015/16, 2014/15 and 2013/14

€ million	2013/14	2014/15	2015/16
Sales	**20,983**	**21,738**	**21,870**
Cost of sales	-16,510	-17,157	-17,398
Gross profit on sales	**4,473**	**4,581**	**4,472**
Other operating income	140	158	173
Selling expenses	-3,891	-3,920	-3,826
General administrative expenses	-474	-489	-497
Other operating expenses	-22	-17	-10
Earnings before interest and taxes EBIT	**226**	**313**	**312**
Other investment result	0	-1	0
Interest income	21	22	27
Interest expenses	-37	-42	-38
Other financial result	14	-28	-10
Net financial result	**-2**	**-49**	**-21**
Combined earnings before taxes EBT	**224**	**264**	**291**
Income taxes	-161	-175	-199
Combined profit or loss for the period after taxes	**63**	**89**	**92**
Combined profit or loss for the period attributable to non-controlling interests	14	31	46
Combined profit or loss for the period attributable to METRO GROUP	49	58	46
Earnings per share in €	**0.15**	**0.18**	**0.14**

Combined balance sheet for the financial years ended 30 September 2016, 2015 and 2014

Assets

€ million	**1/10/2013**	**30/9/2014**	**30/9/2015**	**30/9/2016**
Non-current assets	**1,911**	**1,821**	**1,710**	**1,843**
Goodwill	492	494	513	**525**
Other intangible assets	96	86	93	**77**
Property, plant and equipment	1,025	920	815	**881**
Investment properties	0	0	0	**0**
Financial assets	15	19	14	**73**
Investments accounted for using the equity method	0	0	0	**5**
Other financial and non-financial assets	57	44	44	**51**
Deferred tax assets	226	258	231	**231**
Current assets	**4,962**	**5,375**	**5,600**	**5,260**
Inventories	2,148	2,182	2,322	**2,393**
Trade receivables	224	223	278	**326**
Financial assets	0	1	1	**0**
Other financial and non-financial assets	1,374	2,008	1,902	**1,679**
Entitlements to income tax refunds	180	84	118	**93**
Cash and cash equivalents	1,036	877	979	**769**
	6,873	**7,196**	**7,310**	**7,103**

Equity and liabilities

€ million	**1/10/2013**	**30/9/2014**	**30/9/2015**	**30/9/2016**
Equity	**314**	**182**	**205**	**360**
Net assets attributable to METRO GROUP and other items of equity	306	208	245	382
Non-controlling interests	8	-26	-40	-22
Non-current liabilities	**877**	**944**	**901**	**916**
Provisions for post-employment benefits plans and similar obligations	729	811	718	769
Other provisions	63	57	89	62
Borrowings	19	0	17	16
Other financial and non-financial liabilities	49	61	63	64
Deferred tax liabilities	17	15	14	5
Current liabilities	**5,682**	**6,070**	**6,204**	**5,827**
Trade liabilities	4,340	4,562	4,548	4,502
Provisions	124	103	126	170
Borrowings	248	417	406	2
Other financial and non-financial liabilities	931	943	1,044	1,110
Income tax liabilities	39	45	80	43
	6,873	**7,196**	**7,310**	**7,103**

Combined cash flow statement for financial years 2015/16, 2014/15 and 2013/14

€ million	2013/14	2014/15	2015/16
EBIT	226	313	312
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	294	260	307
Change in provisions for post-employment benefits plans and similar obligations	-43	30	-53
Change in net working capital	107	-202	-226
Income taxes paid	-36	-144	-178
Reclassification of gains (–) / losses (+) from the disposal of fixed assets	17	10	6
Other	-27	66	225
Cash flow from operating activities	**538**	**333**	**393**
Acquisition of subsidiaries	0	-10	-30
Investments in property, plant and equipment (excl. finance leases)	-213	-202	-313
Other investments	-479	-24	-56
Disposals of subsidiaries	0	0	0
Disposal of fixed assets	43	198	390
Gains (+) / losses (–) from the disposal of fixed assets	-17	-10	-6
Cash flow from investing activities	**-666**	**-48**	**-15**
Dividends paid	-75	-56	-48
Redemption of liabilities from put options of non-controlling interests	-1	0	-3
New borrowings	251	213	0
Redemption of borrowings	-100	-205	-425
Interest paid	-35	-40	-36
Interest received	23	20	28
Profit or loss transfers and other financing activities	-10	-19	-7
Transactions with METRO GROUP	-81	-83	-96
thereof cash contributions	(40)	(35)	(309)
thereof cash withdrawals	(-121)	(-118)	(-405)
Cash flow from financing activities	**-28**	**-170**	**-587**
Total cash flows	**-156**	**115**	**-209**
Currency effects on cash and cash equivalents	-3	-13	-1
Total change in cash and cash equivalents	**-159**	**102**	**-210**
Cash and cash equivalents as of 1 October	**1,036**	**877**	**979**
Cash and cash equivalents as of 30 September	**877**	**979**	**769**

Accounting principles and methods used in the combined financial information

Background and purpose of the combined 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: the wholesale and food retail specialists METRO Cash & Carry and Real (together: MWFS division) and Media-Saturn (CE division), focused on consumer electronics retailing.

The Management Board of METRO AG is currently preparing the split of the highly divergent divisions MWFS and CE into two independent, stock-listed companies. This was announced in an ad hoc release on 30 March 2016. The demerger will be effected by means of a legal reorganisation of METRO GROUP through numerous restructuring measures including the demerger of METRO AG itself. As a result, the MWFS and CE divisions will be managed separately as part of two separate, independent and stock-listed holding companies in the future. Since the two entities have very limited operational overlap and offer only very limited potential for synergies from centralised management, METRO GROUP expects the two divisions to be even more successful when operating independently. Benefits are expected to result from the stronger focus on the respective customer groups and expected market potential, faster decision-making processes, more flexibility and greater operational efficiency. In addition, the separate public listings of the respective holding companies are expected to provide for a more transparent valuation of the two stand-alone divisions. The demerger is the direct consequence of METRO GROUP's transformation with a focus on greater customer centricity and entrepreneurial action. The demerger and the separate public listings are scheduled to be completed by mid-2017.

At the time of preparation of the combined financial information, the underlying spin-off agreement between METRO AG and METRO Wholesale & Food Specialist AG (until 11 November 2016 METRO Wholesale & Food Specialist GmbH) had not yet been signed. As a result, the explanations on the stipulations of the spin-off agreement in this combined financial information reflect the status of the spin-off agreement at the time the combined financial information was being prepared (6 December 2016). Following the signing, the spin-off agreement will be presented to the supervisory bodies of METRO AG and METRO Wholesale & Food Specialist AG for approval. The Annual General Meeting of METRO AG that will vote on the demerger will take place on 6 February 2017. Any references to the spin-off agreement in this combined financial information relate to the preliminary status of the spin-off agreement as at 6 December 2016.

Following the implementation of the described reorganisation of METRO GROUP, 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 are subsumed under the term CE GROUP, while all economic activities of the wholesale and food retail business are subsumed under the term MWFS GROUP. The MWFS business segment will be bundled under METRO Wholesale & Food Specialist AG as the future holding company.

With this combined financial information, METRO AG provides voluntary and unaudited information about the performance of CE GROUP over the past three years. The combined financial information covers the financial years from 1 October 2015 to 30 September 2016, from 1 October 2014 to 30 September 2015 and from 1 October 2013 to 30 September 2014.

CE GROUP will be managed by the Management Board of METRO AG, Metro-Straße 1, 40235 Düsseldorf. The preparation of the combined financial information of CE GROUP by the Management Board of METRO AG was completed on 6 December 2016.

Business model of CE GROUP

METRO AG holds 78.38 per cent in Media-Saturn Holding GmbH, the umbrella company for the operating activities of CE GROUP.

Media-Saturn offers a comprehensive assortment of the latest branded products in consumer electronics retailing as well as related services. The sales line is represented in 15 countries with its two strong sales brands Media Markt and Saturn (2014/15: 15 countries; 2013/14: 15 countries). In addition, the group of companies operates pure online retail platforms such as Redcoon and iBOOD as well as the digital entertainment platform Juke.

The group of companies regards itself as a partner, companion and navigator for consumers in the digital world. CE GROUP's success factors include the strong Media Markt, Saturn and Redcoon brands, a decentralised organisational structure with store-based managing directors holding non-controlling interests in the respective store's operating company, and the dovetailing of all distribution channels and services in a seamless offer for customers.

Service companies support CE GROUP with services, particularly in the areas of procurement, logistics, information technology and advertising.

Accounting and measurement principles used in the combined financial information

METRO AG has generally prepared this combined 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) as at the end of the last reporting period. As no full IFRS notes were prepared, this combined financial information does not represent full IFRS financial statements. The IFRS provide no guidelines for the preparation of combined financial information. Therefore, as per IAS 8.12, the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and accepted industry practices shall be considered when preparing combined financial statements.

Based on the stipulations of the spin-off agreement between METRO AG and METRO Wholesale & Food Specialist AG, this combined financial information reflects the economic activities of CE GROUP, which was under common control of METRO AG during the reporting periods presented in this financial information. METRO AG prepares the combined financial information for CE GROUP in accordance with IFRS 1.D16 (a). Accordingly, this combined financial information applies the predecessor accounting method. The combined financial information includes the CE GROUP companies and the economic activities attributable to CE GROUP as they have been included in the consolidated financial statements of METRO GROUP in the past. In the process, the same accounting principles and values on which the financial information in the consolidated financial statements of METRO GROUP has been based are generally applied to the combined financial information of CE GROUP. Previous carrying amounts are not continued insofar as the underlying accounting principles and recognised amounts for the presentation of CE GROUP as a group of companies that is independent of METRO GROUP are not IFRS-compliant. This includes, for example, the classification in accordance with IAS 17 of cross-segment leases within METRO GROUP, which are consistently recognised as operating leases in the segment reporting of METRO GROUP's consolidated financial statements.

Combination group

The group of companies included in the combined financial information of CE GROUP for the financial years ended 30 September 2016, 30 September 2015 and 30 September 2014 is defined on the basis of the economic activities of CE GROUP. The combined financial information of CE GROUP 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 carved out or spun off to MWFS GROUP as part of the legal reorganisation of METRO GROUP. All economic activities of the combination group were under common control of METRO AG for the entire duration of the stated reporting periods.

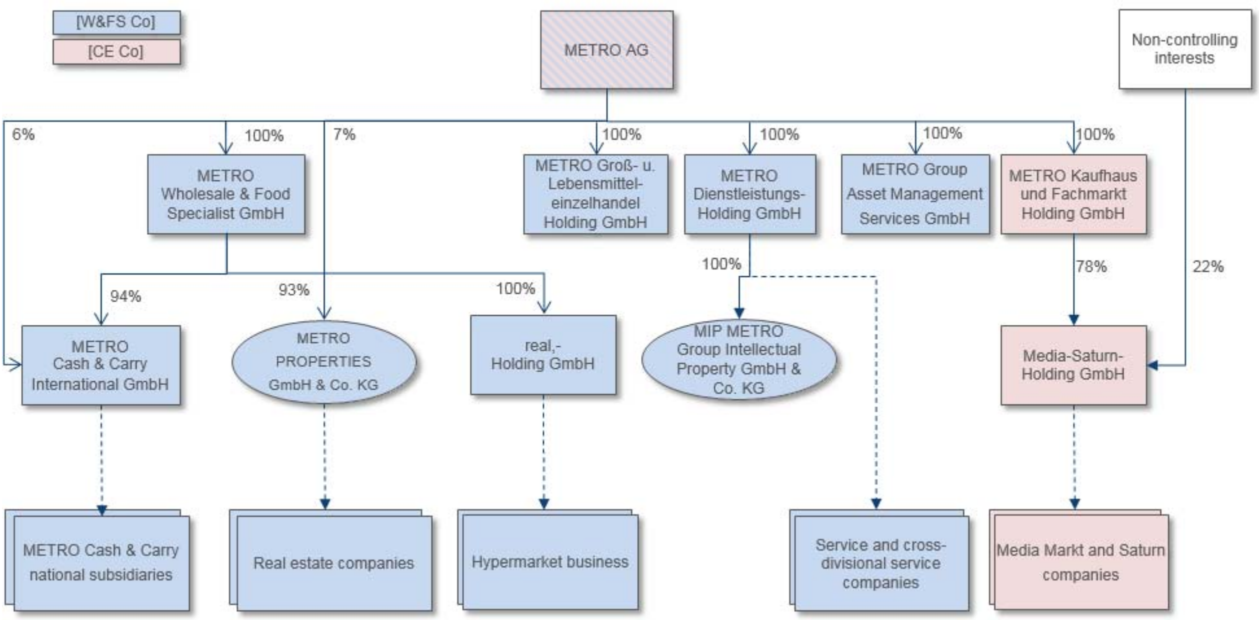
Until now, CE GROUP was part of the group of companies of METRO AG and did not operate as an independent group. The combined financial information for the financial years ended 30 September 2016, 30 September 2015 and 30 September 2014 does not necessarily reflect the results that CE GROUP would have recorded as a separate, stand-alone group with own centralised functions during the years presented in this combined financial information. The combined financial information also does not serve as a guide to future results of CE GROUP.

As of 30 September 2016, in addition to METRO AG, 899 (30/9/2015: 873; 30/9/2014: 880; 1/10/2013: 879) companies were included in the combined financial information.

The combination group developed as follows in financial years 2015/16, 2014/15 and 2013/14:

As of 1/10/2013	**879**
Changes in financial year 2013/14	
Merger within the combination group	6
Disposal of shares	0
Other disposals	1
Newly founded companies	8
Acquisitions	0
As of 30/9/2014	**880**
Changes in financial year 2014/15	
Merger within the combination group	10
Disposal of shares	0
Other disposals	8
Newly founded companies	8
Acquisitions	3
As of 30/9/2015	**873**
Changes in financial year 2015/16	
Merger within the combination group	4
Disposal of shares	0
Other disposals	4
Newly founded companies	13
Acquisitions	21
As of 30/9/2016	**899**

The following is a simplified overview of the organisational set-up of METRO GROUP as of 30 September 2016 (0:00 p.m.). The companies marked red in the following chart are companies that are attributed to CE GROUP. The companies marked blue will be part of MWFS GROUP. Companies marked with blue and red stripes cannot be uniformly attributed to CE GROUP or MWFS GROUP (mixed companies).



Associates of CE GROUP are recognised in the combined financial information according to the equity method.

Accounting treatment of mixed companies within the combination group

METRO AG, METRO Innovations Holding GmbH (as of 30 September 2016 a subsidiary of METRO Wholesale & Food Specialist AG) and METRO Group Clearing GmbH (a service company of METRO GROUP) are companies with economic activities that cannot be uniformly assigned to CE GROUP or MWFS GROUP (mixed companies).

The assets and liabilities as well as expenses and income of these companies have been apportioned according to their economic affiliation. Any economic activities attributable to CE GROUP have not been carved out to MWFS GROUP and will therefore be included in the combination group of CE GROUP.

Accounting treatment of METRO AG

The allocation of assets and liabilities of METRO AG to CE GROUP corresponds to the stipulations of the spin-off agreement between METRO AG and METRO Wholesale & Food Specialist AG. The allocation of assets and liabilities agreed in the spin-off agreement essentially results from the divergent economic activities of CE GROUP and MWFS GROUP and also considers the agreed provision of cash resources as of 30 September 2016.

In line with the stipulations of the spin-off agreement, cash and cash equivalents concerning direct investments of CE GROUP at METRO AG were allocated to the combination group of CE GROUP. In accordance with the stipulations of the spin-off agreement, the agreed initial cash resources provided to METRO AG as the holding company of CE GROUP were included in the combined financial information of CE GROUP as of 30 September 2016. In particular, these cash resources are intended to be used for the proposed dividend in the amount of €327 million for financial year 2015/16 that will be paid to shareholders of METRO AG in February 2017. Once the dividend payout has been effected in financial year 2016/17, CE GROUP's equity will be reduced accordingly. Dividend payouts of METRO AG in financial years 2015/16, 2014/15 and 2013/14 are not presented in this combined financial information as the cash and cash equivalents of METRO AG and the contributions and withdrawals from METRO AG's cash and cash equivalents are shown in the combined financial statements of MWFS GROUP.

The earnings contributions of CE GROUP, which were also used to pay the dividend of METRO AG, are shown as a withdrawal in the combined financial information.

Obligations for post-employment benefits plans towards active employees of METRO AG and related expenses have been attributed to CE GROUP or MWFS GROUP on the basis of economic origin. Based on the stipulations of the demerger agreement, obligations for post-employment benefits plans of METRO AG towards former employees have been fully included in the combined financial information of CE GROUP.

The tax items of METRO AG (tax receivables and tax provisions or liabilities) as well as the associated expenses and income have been attributed to CE GROUP or MWFS GROUP on the basis of economic origin.

In accordance with the stipulations of the spin-off agreement, contingent liabilities of METRO AG towards third parties and related parties have been assumed.

The items of the combined income statement of METRO AG have been apportioned to CE GROUP and MWFS GROUP on the basis of economic origin. In the process, headcount-based allocation keys were used in individual cases, especially for personnel-related items. Interest on pension obligations has been apportioned to CE GROUP in accordance with the attribution of the obligations. The tax items in the combined income statement have been attributed in accordance with the attribution of the respective balance sheet items.

In financial year 2016/17, mutual services in the area of central administration will be rendered between CE GROUP and MWFS GROUP. These will be settled under the Transitional Service Agreement (TSA). The implementation of METRO GROUP's demerger may result in changes in personnel and cost structures at METRO AG as the holding company of CE GROUP. As a result, deviations can be expected in the earnings position of CE GROUP in future financial years compared with the figures shown in this combined financial information.

Accounting treatment of METRO Group Clearing GmbH and METRO Innovations Holding GmbH

The assets and liabilities of METRO Group Clearing GmbH, which coordinates intra-group clearing operations within METRO GROUP Germany (in-house bank), as well as the related expenses and income have been included in the combination group of CE GROUP insofar as they result from the clearing operations of METRO Group Clearing GmbH on behalf of other companies included in the combination group in Germany.

Three investments attributable to CE GROUP as well as the associated loans have been allocated from METRO Innovations Holding GmbH (MIH) to CE GROUP.

Accounting principles

The combined balance sheet of CE GROUP results from the combination of the net assets of all companies included in the combination group. This combination group is defined by the economic activities of CE GROUP, which was previously under common control of METRO AG.

In the preparation of the combined financial information, all intra-group balances, income and expenses as well as all gains and losses from transactions between entities included in the combination group have been eliminated. In addition, the shares and the intermediate holding companies' respective equity stakes in the subsidiaries within CE GROUP have been eliminated.

Certain items in the combined income statement and the reconciliation from combined profit or loss for the period to combined total comprehensive income, the combined balance sheet, the combined statement of changes in equity and the combined cash flow statement have been combined to increase transparency.

The combined income statement has been prepared using the cost of sales method. The balance sheet classification is based on the maturities of assets and liabilities. Assets and liabilities are considered as current items if they fall due or are to be sold within one year or within the normal business cycle of the companies in the combination group. The business cycle is defined for this purpose as beginning with the procurement of the resources necessary for the production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the goods or services produced in that process. Trade receivables and liabilities as well as inventories are consistently recognised as current items. Deferred tax assets and deferred tax liabilities as well as provisions for post-employment benefits plans are classified as non-current items.

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 information classifies as combined financial information and as such no shares exist within CE GROUP. The number of shares was determined on the basis of the number of METRO AG shares as METRO AG will serve as the exchange-listed holding company of CE GROUP following the carve-out of MWFS GROUP. In financial year 2015/16, earnings per preference share to be issued amounted to €0.20 (2014/15: €0.24; 2013/14: €0.21) and thus exceeded earnings per share by the amount of the additional dividend of €0.06 (2014/15: €0.06; 2013/14: €0.06).

The combined statement of changes in equity shows the change in net assets attributable to METRO GROUP as well as the other components of equity of the companies included in the combined financial information for the respective years. In addition, the statement of changes in equity comprises a corresponding breakdown of net assets and other components of equity attributable to non-controlling interests.

The combined cash flow statement is subdivided into operating, investing and financing activities in line with IAS 7 (Statement of Cash Flows). Cash flow from operating activities is presented using the indirect method. Depreciation/amortisation/impairment losses and reversals of impairment losses of assets excluding financial investments as well as income tax payments are part of operating activities. Purchase prices paid or received for the purchase or sale of investments in companies are attributed to investing activities. Interest paid or received is shown under financing activities as are effects at CE GROUP from the attribution of borrowings as well as cash and cash equivalents of METRO GROUP based on economic activities that have resulted in contributions to or withdrawals from net assets. Exchange-rate-related changes in the value of cash and cash equivalents are disclosed separately.

The estimates on the basis of which the combined financial information of CE GROUP has been prepared are the same as those on which the IFRS reporting of the companies included in the combination group to METRO AG was based at the respective reporting date. This does not apply if this approach to the presentation of CE GROUP as a stand-alone entity that is independent of METRO GROUP is not IFRS-compliant.

The combined 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. Amounts shown in the combined income statement, the reconciliation from combined profit or loss for the period to combined total comprehensive income, the combined balance sheet, the combined statement of changes in equity and the combined cash flow statement have been rounded to produce the respective totals. In all other tables, the individual amounts and the totals were rounded separately. Rounding differences may occur.

Principles of combination

The financial statements of the German and foreign subsidiaries included in the combination group are prepared using uniform accounting and measurement methods.

Material consolidated companies that do not close their financial year on 30 September, the closing date of METRO AG as the holding company of CE GROUP, prepared interim financial statements for the purpose of combination.

In accordance with IFRS 3 (Business Combinations), acquisitions of subsidiaries are accomplished using the purchase method. In the case of business combinations, the carrying amounts of the investments are offset against the revalued pro rata equity of the subsidiaries as of their acquisition dates. Any positive differences remaining after the allocation of hidden reserves and hidden burdens are capitalised as goodwill. Goodwill is tested for impairment regularly once a year – or more frequently if changes in circumstances indicate a possible impairment. If the carrying amount of a unit that was assigned goodwill exceeds the recoverable amount, an impairment loss of the goodwill is recognised to the amount of the difference between both values.

In addition, in the case of acquisitions of subsidiaries, hidden reserves and hidden burdens attributable to non-controlling interests must be disclosed and reported in equity as “non-controlling interests”. CE GROUP does not use the option to recognise the goodwill attributable to non-controlling interests. In accordance with IFRS 3, any negative differences remaining after the allocation of hidden reserves and charges after another review during the period in which the business combination took place are amortised to income.

Purchases of additional shareholdings in companies where a controlling interest has already been acquired are recognised as equity transactions. Any differences between the cost of the additional shareholding and the carrying amount of the net assets on the date of acquisition are directly offset against the capital attributable to the buyer.

Investments in associates are consolidated using the equity method, with existing goodwill being included in the amount capitalised for investments, and any impairment losses on this goodwill being included in earnings shares of operating companies recognised at equity or in earnings shares of non-operating companies recognised at equity. Any deviating accounting and measurement methods used in the financial statements of entities valued at equity are retained as long as they do not substantially contradict CE GROUP's uniform accounting and measurement methods for its combined group.

Unrealised gains from transactions with companies accounted for using the equity method are derecognised against the investment in the amount of CE GROUP’s share in the investee.

A reduction in the investment in a subsidiary within the combination group must be recognised in net assets in equity as an equity transaction outside of profit or loss as long as the parent company can continue to exercise control within the combination group. If a reduction in the holding or its complete disposal entails a loss of control, full consolidation of the subsidiary is ended when the parent company has lost its ability to exercise control within the combination group. All assets, liabilities and equity items that were previously fully consolidated will then be derecognised at amortised group carrying amounts. Elimination of the derecognised investments is carried out in line with the general rules on deconsolidation. Any remaining residual shares are recognised at fair value as a financial instrument according to IAS 39 (Financial Instruments: Recognition and Measurement) or as an investment valued using the equity method pursuant to IAS 28.

Current and deferred income taxes are recognised in accordance with IAS 12 (Income Taxes). In the process, and applying the group allocation approach, all current and deferred taxes recognised at METRO AG as the former controlling entity of the German group of incorporated companies will be attributed pro rata to those parts of the group of incorporated companies that will be included in the combination group (future group of incorporated companies of CE GROUP). Taxes will be allocated as though these domestic companies were a stand-alone group of incorporated companies for the periods in the combined financial information. In the absence of positive tax bases with the group of incorporated companies, current domestic taxes are not incurred (excluding events from audits of previous years). In the process, deferred tax assets on tax loss carry-forwards are assigned to the combination group based on causation. Deferred taxes were allocated using the group allocation approach. The resulting tax burden thus shown may deviate from tax expenses or income that would result for the future incorporated companies in Germany (controlling entity METRO AG as the holding company of CE GROUP) as a stand-alone group. From the time the new group of incorporated companies with the controlling entity METRO AG as the holding company of CE GROUP comes into existence (1 October 2016), the deferred taxes for this group of incorporated companies will be remeasured.

In the consolidated financial statements of METRO GROUP, obligations for post-employment benefits plans are discounted at a uniform rate of interest based on the average maturities of the obligations. This interest rate can no longer be used for the purposes of the combined financial information of CE GROUP. The deviating composition of the group of future beneficiaries and recipients resulted in shorter maturities of the obligations and therefore required a lower interest rate.

Application of new accounting methods

Accounting standards applied to the combination group

The following accounting standards and interpretations revised, amended and newly adopted by the International Accounting Standards Board (IASB), which, in accordance with the International Financial Reporting Standards, had to be applied for the first time in financial year 2015/16, were retroactively applied to all financial years in this combined financial information of CE GROUP:

IAS 19 (Employee Benefits)

The amendment "Defined Benefit Plans: Employee Contributions" to IAS 19 (Employee Benefits) applies to contributions from employees or third parties to defined benefit plans that are linked to service. Employee contributions that are independent of the number of years of employee service may be recognised as a reduction in the service cost in the period in which the service is rendered. In contrast, employee contributions that depend on the number of years of employee service are required to be attributed to periods of service using the plan's contribution formula.

Additional IFRS amendments

Within the scope of the Annual Improvements to IFRS 2010–2012, slight revisions were made to IFRS 8 (Operating Segments), among others. Aggregation of several operating segments to a single reportable segment requires a description of the aggregated operating segments. Additionally, the metrics used as a criterion for evaluating the existence of similar economic characteristics must be disclosed. A reconciliation of segment assets to group assets is now necessary only if the segment assets are part of reporting to the responsible corporate decision-maker.

In addition, the improvements clarified definitions used in IFRS 2 (Share-based Payment). A performance condition thus requires the counterparty to complete a specified period of service and to meet specified performance targets while the counterparty is rendering the service. These performance targets are defined by reference to the entity's activities or the value of the entity's equity instruments and may relate either to the performance of the entity as a whole or to some part of the entity or an individual employee. In contrast, the service condition only requires the counterparty to complete a specified period of service and does not have a service requirement. In addition, the improvements clarified that a market condition refers not just to service conditions that depend on the market price or value of the entity's equity instruments, but also to service conditions that depend on the market price or value of the equity instruments of another entity in the same group.

The annual improvements also provided for a clarification in IFRS 3 (Business Combinations), requiring the corresponding standard to be applied to a contingent consideration classified as a financial asset or financial liability. A contingent consideration which is not classified as an equity instrument must be measured at fair value through profit or loss.

The clarification in IFRS 13 (Fair Value Measurement) specifies that short-term receivables and payables with no stated interest rate may be measured at their invoice amounts without discounting if the effect of not discounting is immaterial.

In addition, the Improvements 2010–2012 broaden the definition of related parties in IAS 24 (Related Party Disclosures). The definition now also includes entities providing key management personnel services to the reporting entity either directly or through one of their group companies, even if they do not otherwise meet the definition of a related party in the meaning of IAS 24. In addition, the reporting entity is required to separately disclose payments made in respect of key management personnel services provided by a related party. This amendment is of no relevance to CE GROUP as the company does not publish any notes on related parties.

With respect to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets), the improvements clarify that the accumulated depreciation must be determined at the valuation date when using the revaluation method.

The Annual Improvements to IFRS 2011 – 2013 include, among others, the clarification in IFRS 1 (First-time Adoption of International Financial Reporting Standards) that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements unless IFRS 1 provides an exemption or an exception that permits or requires otherwise. This amendment is of no significance to CE GROUP.

In IFRS 3 (Business Combinations), the Improvements 2011 – 2013 clarify the existing exception of business combinations from the scope of IFRS 3. The exception applies to all types of joint arrangements as defined in IFRS 11 and only applies to the financial statements of the joint venture or the joint operation itself and not to the accounting by the parties to the joint arrangement.

In addition, with respect to IFRS 13 (Fair Value Measurement), the Improvements 2011–2013 clarify that the so-called portfolio exception applies to all contracts within the scope of IAS 39 (Financial Instruments: Recognition and Measurement), regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 (Financial Instruments: Presentation). The portfolio exception permits an entity that manages a group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risks to measure the fair value of that group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure, or to transfer a net short position for a particular risk exposure, in an orderly transaction between market participants at the measurement date.

With respect to IAS 40 (Investment Property), the Improvements 2011 – 2013 clarify that the scopes of IAS 40 and IFRS 3 (Business Combinations) are independent of each other. As a result, any acquisition of investment property must be examined to determine whether it is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3. In addition, the criteria of IAS 40 must be applied to determine whether the property is to be classified as investment property or owner-occupied property.

The described clarifications resulting from the Improvements 2011 – 2013 have no material impact on the combined financial information of CE GROUP.

Accounting standards that were published but not yet applied in the combined financial information

A number of other accounting standards and interpretations newly adopted or revised by the IASB were not yet applied by CE GROUP in financial year 2015/16 because they were either not mandatory or have not yet been endorsed by the European Commission.

Standard/ Interpretation	Title	Effective date according to IFRS[1]	Application at CE GROUP from[2]	Endorsed by EU[3]
IFRS 2	Share-based Payment (Amendment: Classification and Measurement of Share-based Payment Transactions)	1/1/2018	1/10/2018	No
IFRS 4	Insurance Contracts (Amendment: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)	1/1/2018	1/10/2018	No
IFRS 9	Financial Instruments	1/1/2018	1/10/2018	Yes
IFRS 10/IAS 28	Consolidated Financial Statements/Investments in Associates and Joint Ventures (Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	Unknown[4]	Unknown[4]	No
IFRS 10/IFRS 12/IAS 28	Consolidated Financial Statements/Disclosure of Interests in Other Entities/Investments in Associates and Joint Ventures (Amendment: Investment Entities: Applying the Consolidation Exception)	1/1/2016	1/10/2016	Yes
IFRS 11	Joint Arrangements (Amendment: Accounting for Acquisitions of Interests in Joint Operations)	1/1/2016	1/10/2016	Yes
IFRS 14	Regulatory Deferral Accounts	1/1/2016	1/10/2016	Not approved
IFRS 15	Revenue from Contracts with Customers	1/1/2018	1/10/2018	Yes
IFRS 15	Revenue from Contracts with Customers (Clarifications)	1/1/2018	1/10/2018	No
IFRS 16	Leases	1/1/2019	1/10/2019	No
IAS 1	Presentation of Financial Statements (Amendment: Disclosure Initiative)	1/1/2016	1/10/2016	Yes
IAS 7	Statement of Cash Flows (Amendment: Disclosure Initiative)	1/1/2017	1/10/2017	No
IAS 12	Income Taxes (Amendment: Recognition of Deferred Tax Assets for Unrealised Losses)	1/1/2017	1/10/2017	No
IAS 16/IAS 41	Property, Plant and Equipment/Agriculture (Amendment: Bearer Plants)	1/1/2016	1/10/2016	Yes
IAS 16/IAS 38	Property, Plant and Equipment/Intangible Assets (Amendment: Clarification of Acceptable Methods of Depreciation and Amortisation)	1/1/2016	1/10/2016	Yes
IAS 27	Separate Financial Statements (Amendment: Equity Method in Separate Financial Statements)	1/1/2016	1/10/2016	Yes
Various	Improvements to IFRS (2012-2014)	1/1/2016	1/10/2016	Yes

[1] Without earlier application
[2] Application as of 1 October due to deviation of financial year from calendar year; precondition: EU endorsement has been effected
[3] As of: 6 December 2016 (the date at which the Management Board of METRO AG signed the combined financial information)
[4] Indefinite deferral of effective date by IASB

IFRS 2 (Share-based Payment)

The amendment “Classification and Measurement of Share-based Payment Transactions” relates to three aspects of IFRS 2.

Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments. As a result, market performance conditions and non-service conditions must be considered in fair value, while service conditions and other performance conditions must be considered in the quantity structure of the instrument.

In addition, IASB has introduced an exception so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Moreover, IASB has clarified that where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date at fair value to the extent services have been rendered up to the modification date. Any difference between the carrying amount of the liability and the amount recognised in equity would be recognised in profit or loss immediately.

These amendments to IFRS 2 apply to financial years beginning on or after 1 January 2018. Subject to the respective EU endorsement, CE GROUP will apply these regulations for the first time on 1 October 2018. These changes will be applied prospectively to any relevant transactions of CE GROUP.

IFRS 9 (Financial Instruments)

The new IFRS 9 standard (Financial Instruments) will replace IAS 39 (Financial Instruments: Recognition and Measurement), covering the classification and measurement of financial instruments.

Financial instruments are recognised when the company preparing the financial statements becomes a contractual partner and thus has retained the rights of the financial instrument or assumed comparable obligations. As a rule, the initial measurement of financial assets and liabilities is at fair value adjusted for transaction costs, if applicable. Only trade receivables without a significant financing component are recognised at the transaction price.

At the time of recognition, standards for classification are to be taken into account. According to IAS 39, the subsequent measurement of a financial asset and a financial liability is linked to its classification. Financial assets are classified on the basis of the characteristics of contractual cash flow of the financial asset and the business model which the entity uses to manage the financial asset. The original four measurement categories for financial assets were reduced to two categories: financial assets recognised at amortised cost (category 1) and financial assets measured at fair value (category 2), wherein the latter category has two subcategories (for more information on financial instruments, see the next section).

If the financial asset is held within a business model whose objective is collecting payments such as principal and interest, and if the contract terms stipulate certain payments are exclusively for principal and interest, this financial instrument is to be recognised at amortised cost (category 1). If the objective of the business model is collecting payments and selling financial assets, and if the payment dates are fixed, the changes in its fair value are recognised in other comprehensive income outside of profit or loss (subcategory 2 a). If these criteria are not cumulatively met, the financial asset is measured at fair value through profit or loss (subcategory 2 b). Amortised cost is determined using the effective interest method, while IFRS 13 (Fair Value Measurement) is applied to determine fair value measurement.

As a rule, equity instruments are classified as subcategory 2 b based on the classification criteria stated above. However, for equity instruments that do not meet the cash flow criteria, an irrevocable election can be made upon initial recognition to classify them as subcategory 2 a. Furthermore, all financial instruments recognised at fair value through profit or loss may be classified as subcategory 2 b when doing so eliminates or significantly reduces a measurement or recognition inconsistency (fair value option).

In general, financial liabilities are measured at amortised cost (category 1). In some cases, however, such as with financial liabilities held for trading, fair value measurement through profit or loss is required (subcategory 2 b). In addition, the fair value option of measurement at fair value through profit or loss also applies here in the case of inconsistencies. In contrast to financial assets, financial liabilities can include embedded derivatives that are required to be separated. If separation is required, the host contract is usually measured according to the rules of category 1 and the derivative according to the rules of subcategory 2 b.

Unlike IAS 39, which uses the “incurred loss model”, IFRS 9 focuses on expected losses. This expected loss model uses a three-stage approach for recognising impairment. At the first stage, impairment losses are recognised in the amount of the losses resulting from default on the financial instrument expected in the next twelve months. At stage two, the expected credit losses that result from all possible default events over the expected life of the financial instrument must be recognised. Calculation at this stage is based on a portfolio of similar instruments. Financial instruments are reclassified from the first to the second stage when the default risk since initial recognition has increased significantly and exceeds a minimum default risk. At the third and final stage, impairment losses are recognised for additional objective indications with respect to the individual financial instrument.

In order to reduce the complexity and make hedge accounting more comprehensible on the balance sheet, the following key changes were made. The scope of possible hedged items was expanded. For example, several risk positions can now be more easily combined into a single hedged item and hedged. The net position can be designated as the hedged item if the risks partially offset each other in the combined risk position. In addition, non-derivative financial instruments classified as subcategory 2 b can be designated as hedging instruments. Furthermore, thresholds are no longer stipulated for measuring effectiveness. Effectiveness is assessed in reference to the economic relationship between the hedged item and hedging transaction taking into account the hedging ratio and default risk.

IFRS 9 in its current version is scheduled to apply in the EU as of 1 January 2018. Thus, IFRS 9 will be applied at CE GROUP for the first time in financial year 2018/19 starting on 1 October 2018. As a result, the potential impact of this new standard cannot be determined at this point.

IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures)

A conflict exists between the current requirements of IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) regarding the sale or contribution of assets between an investor and its associate or joint venture. IAS 28 requires a partial gain or loss recognition, limited to the unrelated investors' interests in the investee, for all transactions between an investor and its associate or joint venture. IFRS 10, in contrast, requires that the gain or loss that arises on the loss of control of a subsidiary is recognised in full.

The amendment clarifies how to account for the gain or loss from transactions with associates or joint ventures, with the partial or full recognition requirement depending on whether or not the assets being sold or contributed are a business as defined in IFRS 3 (Business Combinations). IFRS 3 defines a business as an integrated set of activities that is required to have inputs and processes which together are used to create outputs.

If the sold or contributed asset classifies as a business, the gain or loss from the transaction must be recognised in full. In contrast, the gain or loss from the sale of assets that do not classify as a business to associates or joint ventures, or their contribution to associates or joint ventures, must be recognised only to the extent of the unrelated investors' interests in the associate or joint venture.

If a group of assets is to be sold or contributed, the investor must assess whether this group of assets constitutes a single business and should be accounted for as a single transaction.

IASB has indefinitely deferred the original effective date of this amendment for financial years starting on or after 1 January 2016. As a result, the date of first-time application of this amendment at CE GROUP is unknown. As CE GROUP currently follows the rules of IFRS 10, future transactions will be impacted accordingly.

IFRS 15 (Revenue from Contracts with Customers)

The new IFRS 15 will replace IAS 18 (Revenue) and IAS 11 (Construction Contracts) and related interpretations and stipulates a uniform and comprehensive model for recognising revenue from customers.

The new standard uses a five-step model to determine the amount of revenue and the date of realisation. In the first step, contracts with the customers are identified. According to IFRS 15, a contract is entered into by the contractual partners if the company can identify the rights of the customer to goods and services and the payment terms and if the agreement has economic substance. In addition, it must be probable that the company will collect on the contract. If a company has more than one contract with a single customer at (virtually) the same time and if certain criteria are met, the contracts can be combined and treated as a single contract.

As a rule, a contract as defined in IFRS 15 can include several performance obligations. Therefore, possible separate performance obligations are identified within a single contract in the second step. A separate performance obligation is identified when a good or service is distinct. This is the case when the customer can use a good or service on its own or together with other readily available resources and it is separately identifiable from other commitments in the contract.

In the third step, the transaction price corresponding to the expected consideration is determined. The consideration may include fixed and variable components. For variable compensation, the expected amount is estimated based on either the expected value or the most probable amount, depending on which amount best reflects the amount of consideration. In addition, the consideration includes the interest rate effect if the contract includes a financing component significant to the contract, the fair value of non-cash considerations and the effects of payments made to the customer such as rebates and coupons.

The allocation of the transaction price to separate performance obligations is carried out in the fourth step. In principle, the transaction price is to be allocated to the separately identified performance obligations in relation to the relative stand-alone selling price. Observable data must be used to determine the stand-alone selling price. If this is not possible, estimates are to be made. For this purpose, IFRS 15 suggests various methods for estimating according to which the estimates are based on market prices for similar services or expected costs plus a surcharge. In exceptional cases, the estimate can also be based on the residual value method.

In the fifth and final step, revenue is recognised at the point in time when the performance obligation is satisfied. The performance obligation is satisfied when the control of the good or service is transferred to the customer. The performance obligation can be satisfied at a point in time or over a period of time. If the performance obligation is satisfied over time, the revenue is recognised over the period in which the performance obligation is satisfied in a manner that best reflects the continuous transfer of control over time.

In addition to the five-step model, IFRS 15 addresses various special topics such as the treatment of costs for obtaining and fulfilling a contract, presentation of contract assets and liabilities, rights of return, commission business, customer retention and customer loyalty programmes. In addition, the disclosures in the notes are significantly expanded. Accordingly, this includes qualitative and quantitative disclosures to be made in the future on contracts with customers, on significant estimates and judgements and on changes over time.

IFRS 15 is applicable for reporting periods beginning on or after 1 January 2018. CE GROUP will thus apply these guidelines for the first time on 1 October 2018. As part of a project dealing with the introduction of IFRS 15 at METRO AG, the impact of the new standards on CE GROUP will also be analysed over the course of the next financial year.

A clarification was released following the adoption of the new IFRS 15. It supplements the IFRS 15 guidelines with respect to the identification of performance obligations, principal versus agent considerations and the separation of licences. It also includes guidelines for a simplified transition to IFRS 15.

The clarifications to IFRS 15 apply to financial years beginning on or after 1 January 2018. Subject to the respective EU endorsement, CE GROUP will therefore apply these regulations for the first time on 1 October 2018. The project dealing with the introduction of IFRS 15 at METRO AG will also consider the impact of the clarifications on CE GROUP.

IFRS 16 (Leases)

The new standard IFRS 16 will replace the currently applicable standard IAS 17 (Leases). IFRS 16 generally applies to contracts that convey the right to use an asset, rental contracts and leases, subleases and sale-and-leaseback transactions. A lessee can elect to apply IFRS 16 to leases of intangible assets, whereas agreements on service concessions or leasing of natural resources are outside the scope of IFRS 16.

In contrast to IAS 17, the definition of a lease in IFRS 16 focuses on the concept of control. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The key change of IFRS 16 compared to IAS 17 concerns the lessee accounting model. Lessees no longer have to classify leases as operating or finance. Instead, the lessee recognises a right-of-use asset and a lease liability upon commencement of the lease, when the lessor makes an underlying asset available for use by the lessee.

The lessee measures the lease liability at the present value of the lease payments payable over the lease term. These include all fixed payments less any lease incentives, for example, for the conclusion of the contract. In addition, the lease payments must include any variable lease payments that depend on an index and variable payments that classify as in-substance fixed payments as well as amounts expected to be payable by the lessee under residual value guarantees. The exercise price of a purchase or lease extension option must be included if the lessee is reasonably certain to exercise that option. In addition, the lease payments must include payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Measurement must be based on the interest rate implicit in the lease. If the lessee is unable to determine this interest rate, the lessee's incremental borrowing rate may be applied. Over the term of the lease, the lease liability is accounted for under the effective interest method in consideration of lease payments made. Changes in the calculation parameters, such as changes in the lease term, a reassessment of the likelihood that a purchase option will be exercised or of the expected lease payments, require a remeasurement of the liability.

The simultaneously recognised right-of-use asset is measured at the amount of the lease liability adjusted for lease payments made and directly attributable costs. Any payments received from the lessor that are related to the lease are deducted. Measurement also considers any reinstatement obligations from leases.

After initial recognition, the right-of-use asset can be measured at amortised cost or using the revaluation method, respectively, under IAS 16 (Property, Plant and Equipment) or IAS 40 (Investment Property). When applying the cost model, the right-of-use asset is depreciated over the shorter lease term or its useful life. If it is reasonably certain upon commencement of the lease that ownership of the asset will pass to the lessee at the end of the lease, the right-of-use asset is depreciated over the economic life of the underlying asset. IAS 36 (Impairment of Assets) must be considered.

Correspondingly, a remeasurement of the lease liability to reflect changes in lease payments leads to an adjustment of the right-of-use asset outside of profit or loss, whereby any negative adjustments exceeding the carrying amount must be recognised through profit or loss.

Lessees can elect to make use of several policy options. Lessees can apply IFRS 16 accounting to a portfolio of leases with similar characteristics and can elect not to separate a contractually agreed service component from lease components and treat the entire contract as a lease. In addition, they may elect not to apply the right-of-use approach to short-term leases (with a maximum term of twelve months) and so-called low-value assets. Low-value assets are a component of leases that, individually, are not material to the business. If a lessee elects to make use of this policy option, the lease is recognised in accordance with the previously applicable IAS 17 guidelines on operating leases.

In the future, comprehensive qualitative and quantitative information must be provided in the notes to the financial statements. The revised definition of leases also applies to the lessor and can lead to assessments deviating from IAS 17. However, the lessor continues to classify a lease as either an operating lease or a finance lease. Except for sale-and-leaseback transactions, IFRS 16 does not result in any material changes for lessors.

In the case of sale-and-leaseback transactions, the sold entity must first apply the requirements of IFRS 15 to determine whether a sale has actually occurred. If the transfer is classified as a sale in accordance with IFRS 15, the seller/lessee measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right of use retained. The gain (or loss) that the seller/lessee recognises is limited to the proportion of the total gain (or loss) that relates to the rights transferred to the buyer/lessor. If the transfer is not a sale, the transaction is treated like a financing transaction without a disposal of the asset.

IFRS 16 is applicable for reporting periods beginning on or after 1 January 2019. Subject to the respective EU endorsement, CE GROUP must apply these regulations for the first time on 1 October 2019. As part of a project dealing with the introduction of IFRS 16 at METRO AG, the impact of the new standards on CE GROUP will also be analysed over the course of financial year 2016/17.

IAS 1 (Presentation of Financial Statements)

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

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

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

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

These amendments to IAS 1 apply to financial years beginning on or after 1 January 2016. CE GROUP will thus apply these guidelines for the first time on 1 October 2016. The impact of these amendments on the disclosures in the financial information of CE GROUP will be minor.

IAS 7 (Statement of Cash Flows)

The amendments to IAS 7 in the context of the Disclosure Initiative will require entities to provide disclosures on the following changes in liabilities arising from financing activities: changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. Liabilities arising from financing activities are defined as liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

In addition, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

These amendments to IAS 7 apply to financial years beginning on or after 1 January 2017. Subject to the respective EU endorsement, CE GROUP will apply these regulations for the first time on 1 October 2017 and extend its disclosures accordingly.

Additional IFRS amendments

Among other things, the Annual Improvements 2012 – 2014 comprise a clarification in IAS 34 (Interim Financial Reporting) regarding the disclosure of information “elsewhere in the interim financial report”. Following this change in wording, several disclosures may now be replaced by references to the management report. The option to incorporate cross-references will simplify the preparation of the notes to the financial information at CE GROUP.

In addition, as part of the improvements, two clarifications were made in IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). If an entity reclassifies an asset (or disposal group) from held for sale to held for distribution, and with this an entity moves from one method of disposal to the other without interruption, this reclassification is seen as a continuation of the original plan of sale. As a result, the entity can continue to apply the accounting requirements applicable to assets (or disposal groups) that are classified as held for sale. The same applies to reclassifications from the category held for distribution to the category held for sale. The reclassification does not result in an extension of the period in which the sale or distribution must be completed.

Assets (or disposal groups) that no longer satisfy the criteria for classification as held for distribution must be treated in the same way as an asset that is no longer classified as held for sale and must no longer be recognised in accordance with IFRS 5.

The changes resulting from the Annual Improvements to IFRS 2012 – 2014 apply to financial years beginning on or after 1 July 2016. As a result, CE GROUP will apply the amended IAS 34 retrospectively and the amended IFRS 5 prospectively for future transactions for the first time on 1 October 2016.

At this point, the first-time application of the other standards and interpretations listed in the table as well as of other standards revised as part of the annual improvements is not expected to have a material impact on CE GROUP's asset, financial and earnings position.

Currency translation

Foreign currency transactions

In the separate financial statements of the companies included in the combined financial information, transactions in foreign currency are valued at the rate prevailing on the respective transaction date. As of the closing dates of 30 September 2016, 30 September 2015, 30 September 2014 and 1 October 2013, monetary assets and liabilities in foreign currency are valued at the closing date's exchange rate. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated at the rate prevailing at the time the fair value was determined. Non-monetary items measured at historical acquisition or production costs in foreign currency are translated at the rate valid at the transaction date.

In principle, gains and losses from exchange rate fluctuations incurred until the respective closing date are recognised in profit or loss. Currency translation differences from receivables and liabilities in foreign currency, which must be regarded as a net investment in a foreign operation, equity instruments held for sale and qualified cash flow hedges are reported outside of profit or loss.

Foreign operations

The annual financial statements of foreign companies included in the combined financial statements are translated into euros according to the functional currency concept of IAS 21 (The Effects of Changes in Foreign Exchange Rates). The functional currency is defined as the currency of the primary economic environment of the company. Since all consolidated companies operate as financially, economically and organisationally autonomous entities, their respective local currency is the functional currency. As a result, assets and liabilities are converted at the respective closing date’s exchange rate.

In principle, the items in the combined income statement are translated at the average exchange rate during the financial year. Differences from the translation of the financial statements of foreign companies with which parent-subsidiary relationships exist are recognised in combined other comprehensive income outside of profit or loss. To the extent that foreign companies are not under the full control of the parent company, the relevant share of currency differences is allocated to the non-controlling interests.

Currency differences are recognised through profit or loss in the net financial result in the year in which the operations of a foreign company with which a parent-subsidiary relationship exists are deconsolidated or terminated. In a partial disposal in which a controlling interest in the foreign company is retained, the relevant share of cumulated currency differences is allocated to the non-controlling interests. Should foreign associates or jointly controlled entities be partially sold without the loss of significant influence or joint control, the relevant share of the cumulated currency differences is recognised through profit or loss.

In financial years 2015/16, 2014/15 and 2013/14, which are presented here, no functional currency of a company included in the combination group was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

The following exchange rates are applied in the translation of key currencies outside the European Monetary Union that are of major significance for CE GROUP:

		Average exchange rate per €			**Exchange rate at closing date per €**			
		2013/14	**2014/15**	**2015/16**	**1/10/2013**	**30/9/2014**	**30/9/2015**	**30/9/2016**
Danish krone	DKK	7.45919	7.45411	7.45069	7.45800	7.44310	7.45980	7.45130
Hong Kong dollar	HKD	10.52203	8.90626	8.62172	10.47220	9.77400	8.68240	8.65470
Hungarian forint	HUF	305.88518	308.94701	312.27877	298.15000	310.57000	313.45000	309.79000
Norwegian krone	NOK	8.26985	8.75905	9.36916	8.11400	8.11900	9.52450	8.98650
Polish zloty	PLN	4.17814	4.17060	4.33360	4.22880	4.17760	4.24480	4.31920
Pound sterling	GBP	0.81927	0.74305	0.78209	0.83605	0.77730	0.73850	0.86103
Russian rouble	RUB	47.09572	64.80626	75.28270	43.82400	49.76530	73.24160	70.51400
Swedish krona	SEK	8.99692	9.34718	9.35415	8.65750	9.14650	9.40830	9.62100
Swiss franc	CHF	1.22078	1.09807	1.09130	1.22250	1.20630	1.09150	1.08760
Turkish lira	TRY	2.88971	2.93219	3.25276	2.75100	2.87790	3.39030	3.35760

Combined income statement

Recognition of income and expenses

In accordance with IAS 18 (Revenue), net sales and other operating income are reported immediately upon rendering of the service or delivery of the goods. In the latter case, the timing is determined by the transfer of risk to the customer. Where customers are granted the right to return goods and cancel services, sales are recognised only if the probability of return can be reliably estimated. To this end, return rates are calculated on the basis of historical data and projected to future take-back obligations. No sales are recognised for the portion allocated to the expected returns; instead, a provision is recognised. Sales are shown after deduction of value added tax, rebates and discounts. Gross amounts are shown – that is, at the level of the customer payment (less sales tax and revenue reduction) – where the company assumes the essential opportunities and risks associated with the sale of the goods or services. Net sales are shown for commission transactions, as defined by the company. Sales revenues from contracts with several contractual components (for example, sale of goods plus additional services) are realised when the respective contractual components have been fulfilled. Sales are realised based on the estimated fair value of the individual contractual components.

Performance-based **government grants** attributable to future periods are recognised on an accrual basis according to the corresponding expenses. Performance-based grants for subsequent periods which have already been received are shown as deferred income, and the corresponding income is recognised in subsequent periods.

Operating expenses are recognised as expenses upon use of the service or on the date of their causation.

The **net financial result** primarily comprises interest as well as share price gains and losses. As a rule, dividends are recognised as income when the legal claim to payment arises. Interest is recognised as income or expenses and, where applicable, on an accrual basis using the effective interest method. Debt capital interests that are directly attributable to the acquisition or production of a so-called qualified asset represent an exception as they must be included in the acquisition or production costs of the asset capitalised pursuant to IAS 23 (Borrowing Costs).

Income taxes

Income taxes concern direct taxes on income and deferred taxes. As a rule, they are recognised through profit or loss unless they are related to business combinations or an item that is directly recognised in equity or other comprehensive income.

Combined balance sheet

Goodwill

Goodwill is capitalised in accordance with IFRS 3 (Business Combinations) when the acquisition was made by a legal entity included in the combination group. Goodwill resulting from business combinations is attributed to the group of so-called cash-generating units (CGUs) which benefits from the synergies of this business combination. In accordance with IAS 36 (Impairment of Assets), a CGU is defined as the smallest identifiable group of assets which generates cash inflows largely independently from the cash inflows of other assets or groups of assets. As a rule, single locations represent CGUs at CE GROUP. Goodwill within CE GROUP is monitored at the level of the organisational unit sales line per country for internal management purposes. Goodwill impairment tests are therefore conducted at the level of this respective group of cash-generating units.

Goodwill is regularly tested for impairment once a year – or more frequently if changes in circumstances indicate a possible impairment. If an impairment exists, an impairment loss is recognised through profit or loss. To determine a possible impairment, the recoverable amount of a CGU is compared to the respective carrying amount of the CGU. The recoverable amount is the higher of value in use and fair value less costs to sell. An impairment of the goodwill allocated to a CGU applies only if the recoverable amount is lower than the total of carrying amounts. No reversal of an impairment loss is performed if the reasons for the impairment in previous years have ceased to exist.

Other intangible assets

Purchased other intangible assets are recognised at cost of purchase.

In accordance with IAS 38 (Intangible Assets), **internally generated intangible assets** are capitalised at their production cost. Research costs, in contrast, are not capitalised, but immediately recognised as expenses. The cost of manufacture includes all expenditure directly attributable to the development process. This may include the following costs:

Direct costs	Direct material costs
	Direct production costs
	Special direct production costs
Overhead	Material overhead
(directly attributable)	Production overhead
	Depreciation/amortisation/impairment losses
	Development-related administrative costs

Borrowing costs are factored into the determination of production costs only in the case of so-called qualified assets pursuant to IAS 23 (Borrowing Costs). Qualified assets are defined as non-financial assets that take a substantial period of time to prepare for their intended use or sale.

The subsequent measurement of other intangible assets with a finite useful life is effected based on the cost model. No use is made of the revaluation option. All other intangible assets of CE GROUP with a finite useful life are subject to straight-line amortisation. Capitalised internally created and purchased software as well as comparable intangible assets are amortised over a period of up to ten years, while licences are amortised over their useful life. These intangible assets are examined for indications of impairment at each closing date. If the recoverable amount is below the amortised cost, an impairment loss is recognised. The impairment loss is reversed if the reasons for the impairment in previous years have ceased to exist.

Other intangible assets with an infinite useful life are not subject to straight-line amortisation, but are subjected to an impairment test at least once a year. Impairments and value gains are recognised through profit or loss based on the historical cost principle.

Property, plant and equipment

Property, plant and equipment used in operations for a period of more than one year are recognised at amortised cost pursuant to IAS 16 (Property, Plant and Equipment). The manufacturing cost of internally generated assets includes both direct costs and directly attributable overhead. Borrowing costs are only capitalised in relation to qualified assets as a component of acquisition or production costs.

In line with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), investment grants received are offset against the purchase or manufacturing cost of the corresponding asset, without recognition of an item of deferral for the grants on the liabilities side. Reinstatement obligations are included in the cost of purchase or production at the discounted settlement value. Subsequent purchase or production costs of property, plant and equipment are only capitalised if they result in a higher future economic benefit for CE GROUP.

Property, plant and equipment are solely depreciated linearly using the cost model pursuant to IAS 16. The optional revaluation model is not applied. Throughout the combination group, depreciation is based on the following useful lives:

Buildings	10 to 33 years
Leasehold improvements	8 to 15 years or shorter rental contract duration
Business and office equipment	3 to 13 years

Capitalised reinstatement costs are depreciated on a pro rata basis over the useful life of the asset.

Pursuant to IAS 36, an impairment test will be carried out if there are any indications of impairment of property, plant and equipment. Impairment losses on property, plant and equipment will be recognised if the recoverable amount is below the amortised cost. Impairment losses are reversed up to the amount of amortised acquisition or production costs if the reasons for the impairment have ceased to exist.

In accordance with IAS 17 (Leases), economic ownership of leased assets is attributable to the lessee if all the material risks and rewards incidental to ownership of the asset are transferred to the lessee (finance lease). If economic ownership is attributable to a CE GROUP company acting as lessee, the leased asset is capitalised at fair value or at the lower present value of the minimum lease payments when the lease is signed. Analogous to the comparable purchased property, plant and equipment, leased assets are subject to depreciation over their useful lives or the lease term if the latter is shorter. However, if it is sufficiently certain that ownership of the leased asset will be transferred to the lessee at the end of the lease term, the asset is depreciated over its useful life. Payment obligations resulting from future lease payments are carried as liabilities. Conversely, they are recognised as receivables by the lessor.

An operating lease applies when economic ownership of the leased object is not transferred to the lessee. The lessee does not recognise assets or liabilities for operating leases, but merely recognises rental expenses in its income statement over the term of the lease using the straight-line method, while the lessor recognises an asset as well as a receivable.

In the case of leasing agreements relating to buildings and related land, these two elements are generally treated separately and classified as finance or operating leases.

Financial instruments

Financial assets (financial investments) that do not represent associates under IAS 28 (Investments in Associates) or joint ventures under IFRS 11 (Joint Arrangements) are recognised in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) and assigned to one of the following categories:

- “Loans and receivables”
- “Held to maturity”
- “At fair value through profit or loss”
- “Available for sale”

The first-time recognition of financial assets is effected at fair value. In the process, incurred transaction costs are considered for all categories with the exception of the category “at fair value through profit or loss”. Measurement is effected at the trade date.

Depending on the classification to the categories listed above, financial assets are capitalised either at amortised cost or at fair value:

- “Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised at amortised cost using the effective interest method.

- The measurement category "held to maturity" includes non-derivative financial assets with fixed or determinable payments and fixed maturity, with the company having both the positive intention and the ability to hold them to maturity. They are also recognised at amortised cost using the effective interest method.

- The category "at fair value through profit or loss" comprises all financial assets "held for trading" as the fair value option of IAS 39 is not applied within CE GROUP. Financial instruments "held for trading" are financial assets that are either acquired or incurred principally for the purpose of selling or repurchasing in the near term or that are part of a portfolio of financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking. Furthermore, this category includes derivative financial instruments that are not part of an effective hedge. Financial instruments "held for trading" are measured at fair value through profit or loss.

- The category "available for sale" represents a residual category for primary financial assets that cannot be assigned to any of the other three categories. CE GROUP does not make use of the optional designation of financial assets to the category "available for sale". "Available for sale" financial assets are recognised at fair value outside of profit or loss. Fluctuations in the fair value of "available for sale" financial assets are recognised outside of profit or loss in combined other comprehensive income. The amounts recognised are not reclassified to combined profit or loss for the period until the financial asset is derecognised or an impairment of the assets has occurred.

Investments are assets to be classified as "available for sale". Securities are classified as "held to maturity", "available for sale" or "held for trading". Loans are classified as "loans and receivables".

Financial assets designated as hedged items as part of a fair value hedge are recognised at fair value through profit or loss.

Equity instruments for which no quoted price on an active market exists and whose fair value cannot be reliably measured, as well as derivatives on such equity instruments, are recognised at cost. This applies to several investments of CE GROUP. At each closing date, financial assets that are not measured at fair value through profit or loss are examined for objective, substantial indications of impairment. Such indications include delayed interest or redemption payments, defaults and changes in the borrower's creditworthiness. If there are any such indications, the respective financial asset is tested for impairment by comparing the carrying amount to the present value. The present value of financial assets measured at amortised cost corresponds to the present value of expected future cash flows, discounted at the original effective interest rate. However, the present value of equity instruments measured at cost in the category "available for sale" corresponds to expected future cash flows discounted at the current market interest rate. If the present value is lower than the carrying amount, an impairment loss is recognised for the difference. Where decreases in the fair value of financial assets in the category "held for sale" were previously recognised in combined other comprehensive income outside of profit or loss, these are now recognised in profit or loss to the amount of determined impairment.

If, at a later date, the present value increases again, the impairment loss is reversed accordingly. In the case of financial assets recognised at amortised cost, the impairment loss reversal is limited to the amount of amortised cost which would have occurred without the impairment. In the category "available for sale", the reversal of previously recognised impairment losses for equity instruments is shown outside of profit or loss in combined other comprehensive income, while for debt instruments it is shown in profit or loss up to the amount of the impairment previously recognised through profit or loss. Increases in value for debt instruments beyond this are recognised outside of profit or loss in combined other comprehensive income.

Financial assets are derecognised when the contractual rights to cash flows from the item in question are extinguished or have expired or the financial asset is transferred.

Other financial and non-financial assets

The financial assets included in other financial and non-financial assets that are classified as "loans and receivables" under IAS 39 are measured at amortised cost.

Other assets include, among others, investments and derivative financial instruments to be classified as "held for trading" in accordance with IAS 39. All other receivables and assets are recognised at amortised cost.

Prepaid expenses and deferred charges comprise transitory accruals.

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are determined using the asset-liability method in accordance with IAS 12 (Income Taxes). Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets or liabilities in the combined financial information and their tax base. Deferred tax assets are also considered for unused tax loss and interest carry-forwards.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available in the future to allow the corresponding benefit of that deferred tax asset to be realised. In this context and in relation to METRO AG, please also see our explanations on the particularities of determining deferred taxes in the chapter *accounting principles and methods used in the combined financial information*.

Deferred tax assets and deferred tax liabilities are netted if these income tax assets and liabilities concern the same tax authority and refer to the same tax subject or a group of different tax subjects that are jointly assessed for income tax purposes.

Deferred taxes are determined on the basis of the tax rates expected in each country upon realisation. In principle, these are based on the valid laws or legislation that has been passed at the time of the closing date.

Inventories

In accordance with IAS 2 (Inventories), merchandise carried as inventories is reported at cost of purchase. The cost of purchase is determined either on the basis of a separate measurement of additions from the perspective of the procurement market or by means of the weighted average cost method. Supplier compensation to be classified as a reduction in the cost of purchase lowers the carrying amount of inventories.

Merchandise is valued as of the closing date at the lower of cost or net realisable value. Merchandise is written down on a case-by-case basis if the anticipated net realisable value declines below the carrying amount of the inventories. Such net realisable value corresponds to the anticipated estimated selling price less the estimated direct costs necessary to make the sale.

When the reasons for a write-down of the merchandise have ceased to exist, the previously recognised impairment loss is reversed.

CE GROUP's inventories never meet the definition of so-called qualified assets. As a result, interest expenses on borrowings relating to inventories are not capitalised pursuant to IAS 23 (Borrowing Costs).

Trade receivables

In accordance with IAS 39, trade receivables are classified as “loans and receivables” and recognised at amortised cost. Where their recoverability appears doubtful, the trade receivables are recognised at the lower present value of the estimated future cash flows. Aside from the required specific bad debt allowances, a generalised specific allowance is carried out to account for the general credit risk.

Income tax assets and liabilities

The disclosed income tax assets and liabilities concern domestic and foreign income taxes for the reporting year as well as prior years. They are determined in compliance with the tax laws of the respective country. In addition, the effects of tax risks are considered in the determination of income tax liabilities. The premises and assessments underlying these risks are regularly reviewed and considered in the determination of income tax.

Cash and cash equivalents

Cash and cash equivalents comprise cheques, cash on hand, bank deposits and other short-term liquid financial assets, such as accessible deposits on lawyer trust accounts or cash in transit, with an original term of up to three months and are valued at their respective nominal values.

Employee benefits

Employee benefits include:

- Short-term employee benefits
- Post-employment benefits
- Obligations similar to pensions
- Termination benefits
- Share-based compensation

Short-term employee benefits include wages and salaries, social security contributions, vacation pay and sickness benefits and are recognised as liabilities at the repayment amount as soon as the associated job has been performed.

Post-employment benefits are provided in the context of defined benefit or defined contribution plans. In the case of defined contribution plans, periodic contribution obligations to the external pension provider are recognised as expenses for post-employment benefits at the same time as the beneficiary's job performance. Missed payments or prepayments to the pension provider are accrued as liabilities or receivables. Liabilities with a term of over twelve months are discounted.

The actuarial measurement of provisions for post-employment benefits plans as part of a defined benefit plan is effected in accordance with the projected unit credit method stipulated by IAS 19 (Employee Benefits) on the basis of actuarial opinions. Based on biometric data, this method takes into account known pensions and pension entitlements at the closing date as well as expected increases in future wages and pensions. Where the employee benefit obligations determined or the fair value of the plan assets increase or decrease between the beginning and end of a financial year as a result of experience adjustments (for example, a higher fluctuation rate) or changes in underlying actuarial assumptions (for example, the discount rate), this will result in so-called actuarial gains or losses. These are recognised in combined other comprehensive income outside of profit or loss. Effects of plan changes and curtailments are recognised fully under service costs through profit or loss. The interest element of the addition to the provision contained in the pension expense is shown as interest paid under the financial result. Insofar as plan assets exist, the amount of the provision is generally the result of the difference between the present value of defined benefit obligations and the fair value of the plan assets.

Provisions for **obligations similar to pensions** (such as anniversary allowances and death benefits) are comprised of the present value of future payment obligations to the employee or his or her surviving dependants less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Actuarial gains and losses are recognised in profit or loss in the period in which they are incurred.

Termination benefits comprise severance payments to employees. These are recognised as liabilities through profit or loss when contractual or factual payment obligations towards the employee are to be made in relation to the termination of the employment relationship. Such an obligation is given when a formal plan for the early termination of the employment relationship exists to which the company is bound. Benefits with terms of more than twelve months after the closing date must be recognised at their present value.

The share bonuses granted under the share-based payment system are classified as **"cash-settled share-based payments"** pursuant to IFRS 2 (Share-based Payment). Proportionate provisions measured at the fair value of the obligations entered into are formed for these payments. The proportionate formation of the provisions is prorated over the underlying vesting period and recognised in profit or loss as personnel expenses. The fair value is remeasured at each closing date during the vesting period until exercised based on an option pricing model. Provisions are adjusted accordingly in profit or loss.

Where granted share-based payments are hedged through corresponding hedging transactions, the hedging transactions are measured at fair value and shown under other financial and non-financial assets. The portion of the hedges' value fluctuation that corresponds to the value of fluctuation of the share-based payments is recognised in personnel expenses. The surplus amount of value fluctuations is recognised in combined comprehensive income outside of profit or loss.

(Other) provisions

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), (other) provisions are formed if legal or constructive obligations to third parties exist that are based on past business transactions or events and will probably result in an outflow of financial resources that can be reliably determined. The provisions are stated at the anticipated settlement amount with regard to all identifiable risks attached. With individual obligations, the settlement amount with the highest possible probability of occurrence is used. If the determination of the provision for an individual situation results in a range of equally probable settlement amounts, the provision will be set at the average of these settlement amounts. For a multitude of uniform situations, the provision is set at the expected value resulting from the weighting of all possible results with the related probabilities.

Long-term provisions with a term of more than one year are discounted to the closing date using an interest rate for matching maturities which reflects current market expectations regarding interest rate effects. Provisions with a term of less than one year are discounted accordingly if the interest rate effect is material. Claims for recourse are not netted with provisions, but recognised separately as an asset if their realisation is considered virtually certain.

Provisions for onerous contracts are formed if the unavoidable costs of meeting the obligations under a contract exceed the expected economic benefits resulting from the contract. Provisions for deficient rental cover related to leased objects are based on a consideration of individual leased properties. Provisions in the amount of the present value of the funding gap are formed for all closed properties or properties with deficient rental cover. In addition, a provision is created for store-related risks related to leased, operational or not yet closed stores insofar as a deficient cover of operational costs or a deficient rental cover despite consideration of a possible subleasing for the respective location arises from current corporate planning over the basic rental term.

Provisions for restructuring measures are recognised if a constructive obligation to restructure was formalised by means of the adoption of a detailed restructuring plan and its communication vis-à-vis those affected as of the closing date. Restructuring provisions comprise only obligatory restructuring expenses that are not related to the company's current activities.

Warranty provisions are formed based on past warranty claims and the sales of the current financial year.

Financial liabilities

According to IAS 39, financial liabilities that do not represent liabilities from finance leases are assigned to one of the following categories:

- "At fair value through profit or loss" ("held for trading")
- "Other financial liabilities"

The first-time recognition of financial liabilities and subsequent measurement of financial liabilities "held for trading" is effected based on the same stipulations as for financial assets.

The category "other financial liabilities" comprises all financial liabilities that are not "held for trading". They are carried at amortised cost using the effective interest method as the fair value option is not applied within CE GROUP.

Financial liabilities designated as the hedged item in a fair value hedge are carried at their fair value. The fair values indicated for the financial liabilities have been determined on the basis of the interest rates prevailing on the closing date for the remaining terms and redemption structures.

In principle, financial liabilities from finance leases are carried at the present value of future minimum lease payments.

A financial liability is derecognised only when it has expired, that is, when the contractual obligations have been redeemed or annulled or have expired.

Other financial and non-financial liabilities

Other financial and non-financial liabilities are carried at their settlement amounts unless they represent derivative financial instruments, put options given out to interests or earn-out liabilities, which are recognised at fair value under IAS 39.

Prepaid expenses and deferred charges comprise transitory accruals.

Trade liabilities

Trade liabilities are recognised at amortised cost.

Other

Contingent liabilities

Contingent liabilities are, on the one hand, possible obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of uncertain future events that are not entirely under the company's control. On the other hand, contingent liabilities represent current obligations arising from past events for which, however, an outflow of economic resources is not considered probable or whose amount cannot be determined with sufficient reliability.

Accounting for derivative financial instruments and hedge accounting

Derivative financial instruments are exclusively utilised to reduce risks. They are used in accordance with the respective group guideline of METRO GROUP.

In accordance with IAS 39, all derivative financial instruments are recognised at fair value and shown under other financial and non-financial assets or other financial and non-financial liabilities. Derivative financial instruments are measured on the basis of interbank terms and conditions, possibly including the credit margin or stock exchange price applicable to CE GROUP; for this, the average rate on the closing dates 30 September 2016, 30 September 2015, 30 September 2014 and 1 October 2013 is used. Where no stock exchange prices are used, the fair value is determined by means of recognised financial models.

In the case of an effective hedge accounting transaction (hedge accounting) pursuant to IAS 39, fair value changes of derivatives designated as fair value hedges and the underlying transactions are reported in profit or loss. In cash flow hedges, the effective portion of the fair value change of the derivative is recognised in combined other comprehensive income outside of profit or loss. A transfer to the combined income statement is effected only when the underlying transaction is realised. The ineffective portion of the change in the value of the hedging instrument is immediately reported in profit or loss.

Supplier compensation

Depending on the underlying circumstances, supplier compensation is recognised as supplier discounts, reimbursement or payment for services rendered. Supplier compensation is accrued as of the closing date insofar as it has been contractually agreed and is likely to be realised. Accruals relating to supplier compensation tied to certain calendar year targets are based on projections.

Summary of selected measurement methods

Item	Measurement method
Assets	
Goodwill	Cost of acquisition
Other intangible assets	
Purchased other intangible assets	(Amortised) cost
Internally generated intangible assets	Amortised development costs (direct costs and directly attributable overhead)
Property, plant and equipment	(Amortised) cost
Financial assets	
“Loans and receivables”	(Amortised) cost
“Held to maturity”	(Amortised) cost
“At fair value through profit or loss” (“held for trading”)	At fair value through profit or loss
“Available for sale”	At fair value recognised in equity
Inventories	Lower of cost and net realisable value
Trade receivables	(Amortised) cost
Cash and cash equivalents	At nominal value
Equity and liabilities	
Provisions	
Provisions for post-employment benefits plans	Projected unit credit method (benefit/years of service method)
Other provisions	Discounted settlement amount (with highest probability of occurrence)
Financial liabilities	
“At fair value through profit or loss” (“held for trading”)	At fair value through profit or loss
“Other financial liabilities”	(Amortised) cost
Other financial and non-financial liabilities	At settlement amount or fair value
Trade liabilities	(Amortised) cost

Judgements, estimates and assumptions

The preparation of this combined financial information was based on a number of judgements, estimates and assumptions that had an effect on the value and presentation of the reported assets, liabilities, income and expenses as well as contingent liabilities.

Judgements

Judgements with the most significant effects on the amounts stated in this combined financial information relate to the following areas:

- Determination of the combination group through an assessment of the economic activities of CE GROUP applying the common control approach (chapter *combination group*); this concerns all assets and liabilities as well as expenses and income of METRO GROUP, particularly those of the mixed companies, which cannot be uniformly attributed to CE GROUP or MWFS GROUP

- Classification of leases as finance lease or operating lease – including in sale-and-leaseback transactions

- Determination of whether CE GROUP acts as the agent or principal in a sales transaction

Estimates and assumptions

Estimates and underlying assumptions with significant effects on this combined financial information relate to the following areas:

- Uniform determination of useful lives for limited-life assets within the combination group
- Impairment testing of assets with a definite useful life if warranted by events
- Annual goodwill impairment tests
- Recoverability of receivables – particularly receivables from suppliers
- Recognition of supplier compensation on an accrual basis
- Ability to realise future tax receivables – particularly from tax loss carry-forwards
- Measurement of inventories
- Determination of pension provisions
- Determination of other provisions – for example for deficient rental cover and onerous contracts, restructurings, warranty services, taxes and risks from legal proceedings and litigation

Although great care has been taken in making these estimates and assumptions, actual values may deviate from them in individual cases. The estimates and assumptions used in the combined financial information are regularly reviewed. Changes are taken into account at the time new information becomes available.