

**METRO Finance B.V.**

**Financial Statements**  
**As at 30 September 2016**

FOR IDENTIFICATION PURPOSES ONLY  
BDO Audit & Assurance B.V.

date **16 DEC 2016**

Belonging to letter nr. **AAU-1108** date **16/12/2016**  
initials **AB**

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## **Report of the Board of Supervisory Directors**

Pursuant to the Articles of Association we are pleased to submit the financial statements for the financial year ended on 30 September 2016 as drawn up by the Board of Managing Directors for your adoption.

We recommend you to adopt the financial statements.

Venlo (the Netherlands), 16 December 2016

The Board of Supervisory Directors,

M. Frese

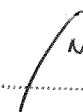
T. Grad

H. Sachs

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## Report of the Board of Managing Directors

The Board of Managing Directors of the company hereby presents its financial statements for the financial year ended on 30 September 2016.

### Overview

METRO Finance B.V. ("the Company") operates as a finance company within the METRO Group. The ultimate parent company of this group is METRO AG which is incorporated in Düsseldorf, Germany and which also is the sole shareholder of the Company.

The main activities of METRO Finance B.V. focus on providing short term financial services (up to one year), in particular by granting loans to and accepting deposits from METRO Group companies as well as granting loans for mid and long-term funding of METRO Group companies and the hedging of related currency and interest rate risks out of the before mentioned transactions. Besides accepting deposits from METRO Group companies refinancing is done via the capital markets.

METRO Finance B.V.'s activities are strongly focused on the financing needs of METRO subsidiaries worldwide. The operating business of the company still developed in line with the expectations of management. Total assets of the company amounted to EUR 4,023 million as at 30 September 2016.

The net interest margin amounted to EUR 3,790 thousand leading into a net result for the financial year ended 30 September 2016 after operating expenses and taxes of EUR 1,113 thousand. No dividends were paid during financial year ending 30 September 2016.

In the financial year 2015/16 no new bonds were issued under the Debt Issuance Program. In September 2016 EUR 128.3 million of a bond with a nominal value of EUR 750 million and a coupon of 4.25% per annum has been repaid before the final maturity in February 2017. The remaining bonds with a total principal amount of EUR 1,372 million will mature between 2017 and 2022.

As a financial service company, METRO Finance B.V. faces financial risks. These include in particular price risks, liquidity risks, credit risks and cash flow risks. Price risks result from the impact of changes in market interest rates or exchange rates on the fair value of financial instruments. Currency and interest rate risks are substantially managed and hedged to the required risk profile, as described in the principles laid down in the internal treasury guidelines of the METRO Group. Like in previous years, foreign exchange exposure from loans receivable and payable to METRO Group companies is hedged by entering into derivative contracts with banks. Since the company is obliged to follow the financial strategic objectives of METRO AG, potential interest risk positions are covered contractually by METRO AG.

Due to guarantees of METRO AG, METRO Finance B.V. has access to sufficient liquidity reserves and therefore the Company's liquidity risk is considered to be remote even if an unexpected event has a negative financial impact on the company's liquidity situation. A future change in interest rates may cause cash flows from variable interest rate asset and debt items to fluctuate. The finance department of METRO AG manages interest rate risks by defining a benchmark for the relationship between variable and fixed-interest on the METRO Group level. Potential risk positions are covered through the service agreement with METRO AG where a certain interest spread is guaranteed. From the Company's perspective interest rate risk is therefore considered to be negligible.

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The Company reviews the creditworthiness of all its business partners internally as part of the Company risk management procedures. Due to activities and agreements within the METRO group, the Company's credit risk is considered to be limited.

METRO Finance B.V. employed 10 persons on average in the financial year. Measured in full time equivalents, the company employed 9.5 FTE on average in the financial year.

The Board of Managing Directors consists of four, the Supervisory Boards of three members. Currently there is no female representation in each of the boards. In the previous year there were no vacancies and thus no opportunity to appoint a woman for such a position. Gender diversity is and will be part of the selection process to find qualified new members of the boards which meets the required profile.

## **Statement of responsibility**

Further to the requirements set out in Article 5:25c sub 2c of the "Wet financieel toezicht (Wft)", the members of the Board of Managing Directors of the Company hereby state that, to our best knowledge:

- the financial statements for the financial year ended 30 September 2016 give a true and fair view of the assets, liabilities, financial position of and the result generated by the Company;
- the report of the Board of Managing Directors gives a true and fair view of the status of the Company as per 30 September 2016 and during the financial year to which the report relates; and
- the report of the Board of Managing Directors includes a description of the substantial risks the issuer is facing.

## **Outlook**

In March 2016, the Management Board of METRO AG announced the creation of two independent and sector focused companies through a demerger of the group: A Wholesale and Food Specialist group as well as a Consumer Electronics products and service group. Should the shareholders vote in favour, the implementation of the demerger is aimed for mid-2017.

The operative business of METRO Finance B.V. is not expected to be impacted by the demerger. The management expects an overall stable development of the business. Currently no new refinancing activities are planned for the financial year 2016/2017. If refinancing needs will apply, they will be refinanced on the capital markets depending on market conditions. The net interest margin will be primarily influenced by new credit allocation to METRO subsidiaries, alterations of the short and long term interest rates and the margins of capital market instruments.

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The number of employees is expected to remain stable with 10 employees on average during the financial year.

Venlo (The Netherlands), 16 December 2016

The Board of Managing Directors,



H. Laaks

O. Kruse

H.D. Hinker

F. Duijst

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## Balance sheet as at 30 September 2016

(Before profit appropriation)

		30 September 2016		30 September 2015	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
<b>Non-current assets</b>					
Property, plant and equipment	1		6		8
Financial assets loans	2		1,243,257		1,607,311
			<u>1,243,263</u>		<u>1,607,319</u>
<b>Current assets</b>					
Deferred tax	3		116		-
Loans and receivables	4		2,753,487		2,704,698
Other Assets	5		6,220		20,288
Cash and cash equivalents	6		20,267		521
			<u>2,780,090</u>		<u>2,725,507</u>
			<u>4,023,353</u>		<u>4,332,826</u>

The notes on page 12 to 40 are an integral part of these financial statements

**Note:**

The financial year runs from 1 October to 30 September.

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		30 September 2016		30 September 2015	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
<b>Shareholders' equity</b>	7				
Share capital		453		453	
Share premium		6,369		6,369	
Retained earnings		16,998		15,363	
Net result for the year		1,113		1,635	
			24,933		23,820
<b>Non-current liabilities</b>					
Bonds	8	698,153		1,496,558	
Loans from Metro Group companies	9	65,000		65,000	
			763,153		1,561,558
<b>Current liabilities</b>					
Deferred tax liabilities	3	-		16	
Loans from Metro Group companies	9	2,526,051		2,650,409	
Bonds	10	671,478		49,995	
Income taxes		504		692	
Other liabilities	11	37,234		46,336	
			3,235,267		2,747,448
			4,023,353		4,332,826

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## Statement of income for the financial year 2016

		30 September 2016	30 September 2015
		EUR 1,000	EUR 1,000
		EUR 1,000	EUR 1,000
<b>Financial income</b>	<i>12</i>	<b>109,874</b>	195,361
<b>Financial expenses</b>	<i>13</i>	<b>106,084</b>	190,558
		<hr/>	<hr/>
<b>Net financial income</b>		<b>3,790</b>	4,803
Other income	<i>14</i>	<b>157</b>	196
<b>Operating expenses</b>			
Amortisation and depreciation charges	<i>1</i>	<b>3</b>	5
Wages and salaries	<i>15</i>	<b>1,014</b>	1,023
Other expenses	<i>16</i>	<b>1,446</b>	1,389
		<hr/>	<hr/>
		<b>2,463</b>	2,417
<b>Result before taxation</b>		<b>1,484</b>	2,582
Income tax	<i>17</i>	<b>(371)</b>	(947)
		<hr/>	<hr/>
<b>Net result for the year</b>		<b>1,113</b>	1,635
		<hr/>	<hr/>

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## Statement of comprehensive income for the financial year 2016

	30 September 2016 EUR 1,000	30 September 2015 EUR 1,000
Net result for the year	1,113	1,635
<b>Total comprehensive income for the year</b>	<b>1,113</b>	<b>1,635</b>
Comprehensive income attributable to:		
- Shareholders of the company	1,113	1,635
- Minority interest	-	-
<b>Total comprehensive income for the year</b>	<b>1,113</b>	<b>1,635</b>

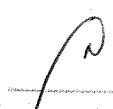
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## Statement of changes in equity for the financial year 2016

	Share Capital EUR 1,000	Share premium EUR 1,000	Retained Earnings EUR 1,000	Net result for the year EUR 1,000	Total EUR 1,000
30 September 2014	453	6,369	12,373	2,990	22,185
Appropriation of the net results for the year ended 30 September 2014	—	—	2,990	(2,990)	—
Net result for the year	—	—	—	1,635	1,635
30 September 2015	453	6,369	15,363	1,635	23,820
Appropriation of the net results for the year ended 30 September 2015	—	—	1,635	(1,635)	—
Net result for the year	—	—	—	1,113	1,113
30 September 2016	<b>453</b>	<b>6,369</b>	<b>16,998</b>	<b>1,113</b>	<b>24,933</b>

The notes on page 12 to 40 are an integral part of these financial statements

**Note:**

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## Cash flow statement for the financial year 2016

		30 September 2016 EUR 1,000	30 September 2015 EUR 1,000
Result before taxation		1,484	2,582
Adjustments for depreciation	1	3	6
		<u>1,487</u>	<u>2,588</u>
- Change in other working capital		(7,475)	(19,244)
- Issuance of financial assets to Metro Group companies	2	(86,197)	(943,068)
- Redemption of financial assets to Metro Group companies	2	-	45,975
- Movement in current loans and balances from and to Metro Group companies	2/4/9	263,559	892,652
- Issuance of financial assets to third parties	2/4	-	(4,819)
- Redemption of financial assets to third parties	2/4	5,133	305
		<u>176,507</u>	<u>(25,611)</u>
Cash generated from operations			
Interest paid		(79,813)	(115,612)
Interest received		102,052	136,800
Corporate income tax (paid)/received		(692)	1,929
		<u>198,054</u>	<u>(2,494)</u>
<b>Cash flows from operating activities</b>			
Redemption of financial liabilities		(178,308)	-
		<u>(178,308)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Changes in cash and cash equivalents		19,746	(2,494)
Cash and cash equivalents as of 1 October		521	3,015
		<u>20,267</u>	<u>521</u>
Cash and cash equivalents as of 30 September			

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The financial year runs from 1 October to 30 September.

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## **Notes to the 2016 financial statements**

### **Summary of significant accounting policies**

#### **General**

METRO Finance B.V. ("the Company"), domiciled in Antoniuslaan 85b+c, 5921 KB Venlo, was incorporated on October 3, 1984 as a Dutch company with limited liability.

#### **Group structure**

METRO Finance B.V. belongs to the METRO Group. The ultimate parent company of this group is METRO AG which is incorporated in Düsseldorf, Germany which is also the sole shareholder of the company. The financial statements of METRO Finance B.V. have been included in the consolidated financial statements of METRO AG.

#### **Activities**

METRO Finance B.V. operates as a finance company within the METRO Group. Its main activities consist of attracting loans for funding of METRO Group companies, hedging of related currency and interest rate risks, as well as providing short-term financial services for METRO Group companies, such as cash management.

#### **Accounting principles**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements 2016 were authorized for issue by the board of Managing Directors on 16 December 2016. The accounting principles as set out below have been applied in preparing the financial statements for the financial year ended 30 September 2016 and the comparative information presented in these financial statements.

These financial statements have been based on the historical cost convention, except for the financial instruments that are recognised at fair value. The financial statements have been prepared in euros. All amounts are stated in thousands of euros. The accounting principles used as a basis for the financial statements have been described in the following paragraphs.

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## Going concern

There are no indications to doubt the continuity of the Company. Therefore the going concern assumption was applied during the preparation of these financial statements.

## Currency translation

Transactions denominated in currencies other than euro (functional currency) are translated at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in currencies other than euro are translated at the rate of exchange prevailing on balance sheet date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates on the transaction date. The resulting exchange rate differences are credited or charged to the statement of income.

The following exchange rates were applied in the translation of the key currencies to euro:

	Average 2015/2016	Average 2014/2015	30 September 2016	30 September 2015
Czech Kroner (CZK)	27.0414	27.4287	27.021	27.187
Great Britain Pounds (GBP)	0.78209	0.74305	0.86103	0.7385
Hungarian Forint (HUF)	312.27877	308.94701	309.79	313.45
Polish Zloty (PLN)	4.3336	4.1706	4.3192	4.2448
Romanian Leu (RON)	4.47856	4.43956	4.4537	4.4176
Russian Ruble (RUB)	75.2827	64.80626	70.514	73.2416

## Balance sheet

### Non-current assets

#### *Tangible assets*

Tangible fixed assets used in operations for a period that exceeds one year are recognised at cost less accumulated depreciations. Tangible assets are depreciated solely on a straight line basis, taking into account the following estimated useful lives:

- Computer system : 3-5 years
- Cars : 5 years
- Computer license : 6 years
- Office equipment : 5-8 years

Assets are impaired in case the recoverable amount is below the book value.

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### ***Financial Assets Loans***

These financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to borrowers, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

### ***Financial Assets Investments***

Investments in group companies are stated at cost less any accumulated impairment losses.

### ***Income and deferred tax***

Income taxes concern direct taxes on income.

Deferred taxes are determined in accordance with IAS 12, based on which future tax benefits and liabilities are recognised in case these are related to temporary difference between the commercial and fiscal base of recognition. Anticipated future tax savings due to compensating fiscal loss carry forwards, that are expected to be realised in the foreseeable future, are capitalised.

Deferred tax assets and liabilities are netted if these relate to an identical (group of) topics and subjects that are jointly assessed for income tax purposes by the same tax authority.

## **Current Assets**

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to borrowers, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

### ***Cash and Cash equivalents***

Cash and cash equivalents comprise bank deposits and monetary assets with a remaining time to maturity of 3 months or less and are measured at amortised cost, which equals nominal values unless stated otherwise.

### ***Other assets***

Other assets include derivative financial instruments with a time to maturity that does not exceed 12 months after balance sheet date. Derivative financial instruments are measured at fair value with fair value movements recognised in the statement of income.

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### ***Impairment or disposal of assets***

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit and loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## **Liabilities**

### ***Non- current liabilities***

Non-current liabilities are either "loans and borrowings" or derivative financial instruments with a time to maturity that exceeds 12 months after balance sheet date, that are recognised in accordance with IAS 39 (Financial instruments: Recognition and Measurement).

Loans and borrowings consist of bonds and loans that are initially recognised at fair value. Subsequently "loans and borrowings" are measured at amortised cost using the effective interest method in accordance with IAS 39.

Derivative financial instruments are measured at fair value with fair value movements recognised in the statement of income.

### ***Current liabilities***

Current liabilities include (parts of the) loans and borrowings with times to maturity that do not exceed 12 months after balance sheet date, income tax liabilities and other liabilities. Loans and borrowings are initially valued at fair value, subsequently they are valued at amortised cost using the effective interest method.

Other liabilities include accrued expenses and derivative financial instruments for which the period to maturity does not exceed 12 months after balance sheet date. Derivative financial instruments are valued at fair value. Accrued expenses are valued at cost.

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### **Contingent liabilities**

Contingent liabilities are, on one hand, potential obligations arising from past events whose existence is confirmed only by 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 resources is not considered probable or whose size cannot be determined with reasonable certainty. According to IAS 37 (provisions, contingent liabilities and contingent assets), such liabilities are not recognised but commented upon in the notes.

### **Accounting for derivative financial instruments/hedge accounting**

Derivative financial instruments are used exclusively to reduce risks in accordance with the respective group guidelines. Usage is limited to foreign exchange spot, forward transactions, interest rate swaps and cross currency swaps.

In accordance with IAS 39, all derivative financial instruments are recognised at fair value and presented under "current assets" or "current liabilities" or "other assets" or "other liabilities" in case the remaining period to maturity does not exceed twelve months after balance sheet date. Fair value changes are recognised directly in the statement of income. The Company does not apply cash flow hedge accounting.

In case fair value hedge accounting is applied, the hedged item is adjusted to reflect the effective part of the fair value change of the hedging instrument with an offsetting amount to be included in the statement of income. Both at the hedge inception and at each reporting date, we assess whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging relationship is not highly effective, we discontinue hedge accounting prospectively. If this is the case, the remaining fair value adjustment on the hedged item is amortised over the remaining time to maturity using the effective interest rate at date of designation. Currently the Company does not apply fair value hedge accounting.

### **Use of assumptions and estimates**

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Fair value measurement*

The Company measures its derivative financial instruments at fair value. Further discussion on fair value is disclosed in Note 18 under subsection fair value.

#### *Recoverability of Receivables and impairment assessment*

The Company performs a yearly analysis on objective evidence of impairment for financial assets based on information available within the Metro Group and external market data. During the year, no impairment amount was recognised.

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### **Shareholders' equity**

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the statement of income as financial income or expense.

### **Statement of income**

#### ***Recognition of income and expense***

##### *Financial income and expense*

Financial income and expense is composed of interest income and expense, fair value changes of derivative financial instruments as well as currency revaluation gains and losses on monetary assets and liabilities. Finance income and expense is recognised in the statement of income, using the effective interest rate method.

The entity has a service agreement with METRO AG for the services that METRO Finance B.V. renders for METRO AG group companies. METRO Finance B.V. receives an at arm's length fixed spread on the loan arrangements' interest relating to these services. Differences between actual gross income (before deducting operational expenses) and the arm's length fixed spread are payable to METRO AG. In the event that the actual gross income (before deducting operational expenses) falls below the arm's length spread, METRO AG shall reimburse the difference to METRO Finance B.V. This expense or reimbursement is recognised in the profit and loss account as part of the interest expenses or interest income, using the accrual method.

##### *Other income*

Other income relates to revenue from management services rendered to affiliated METRO companies for which service level agreements are in place. Revenues are recognised in the period they relate to.

##### *Operating expenses*

Operating expenses are recognised in the period they relate to.

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### Cash flow statement

The cash flow statement has been prepared applying the indirect method. Cash flows in foreign currencies have been translated at the weighted average exchange rates. Receipts and payments of interest and corporate income tax are included in the cash flow from operating activities.

### Determination of fair value of financial assets and liabilities

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Accordingly, additional disclosures in this regard have been included in Note 20 – Financial risk management.

The estimated fair value of financial instruments as included in either or both the balance sheet and disclosure notes has been determined by the Company using acknowledged measurement methodology, using market data as money market and swap curves and foreign exchange rates presented as at balance sheet date. Specific counterparty related credit risk is assessed by using the credit default swap spreads for the parties involved.

The fair values disclosed for financial liabilities outstanding under the DIP and EMTN programmes operated via listings on (regulated) exchanges in Frankfurt and Luxembourg are based on market data.

The fair values presented are not necessarily indicative of the amounts that will ultimately be realized by the Company upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

IFRS 7 specifies a fair value hierarchy that identifies the following hierarchy levels:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the financial instruments included at fair value in the Company financial statements are classified as level 2 according to the before mentioned fair value hierarchy referred to in IFRS 7.

Where applicable detailed information concerning the principles for determination of the fair values have been included in the section that specifically relates to the relevant financial asset or liability.

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## **Segment reporting**

Segment information is not separately reported because the primary activity of the Company is financing the parent company Metro AG (Germany) and Metro Group companies within continental Europe (30 September 2016: 76.0%; 2015: 71.9%), Metro Group Companies within Central Eastern Europe (30 September 2016: 14.6 %; 2015: 20.9%), as well as Metro Group Companies in Asia (30 September 2016: 8.7%; 2015: 6.6%) and Africa (30 September 2016: 0.7%; 2015: 0.7%).

The interest income relates to continental Europe (2015/2016: 37.7%; 2014/2015: 45.0%), to Central Eastern Europe (2015/2016: 51.4%; 2014/2015: 50.6%), to Asia (2015/2016: 9.6%; 2014/2015: 2.9%) and to Africa (2015/2016: 1.3%; 2014/2015: 1.5%).

## ***New standards, interpretations and amendments effective from 1 October 2015.***

Implementation of new and revised EU-IFRS over the year ended 30 September 2016 did not have a material impact on these annual financial statements. Accordingly, the Company has not made changes to its accounting policies in the financial year 2016.

The amendment to IFRSs and the Annual Improvements to IFRSs that are effective for the first time in these annual financial statements are as follows:

### **1. Annual Improvements to IFRSs (2010 – 2012 Cycle)**

- a. IFRS 2 – Share Based Payments
- b. IFRS 3 – Business Combinations
- c. IFRS 8 – Operating Segment
- d. IFRS 13 – Fair Value Measurement
- e. IAS 16 – Property, Plant and Equipment
- f. IAS 24 – Related Party Disclosures
- g. IAS 38 – Intangible Assets

### **2. Annual Improvements to IFRSs (2011 – 2013 Cycle)**

- a. IFRS 1 – First-time adoption of IFRS
- b. IFRS 3 - Business Combinations
- c. IFRS 13 - Fair Value Measurement
- d. IAS 40 – Investment Property

### **3. Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions.**

For the Company that reports in accordance with EU-endorsed IFRS, the effective date of Annual Improvements to IFRSs (2010-2012 Cycle) and Amendments to IAS 19 is the annual period beginning on or after 1 February 2015 while the effective date of Annual Improvements to IFRSs (2011-2013 Cycle) is 1 October 2015. Thus these standards apply to these financial statements of METRO Finance B.V.

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***New standards, interpretations and amendments not yet effective.***

The following Standards and Interpretations have been issued however are not yet effective and/or have not yet been adopted by the EU and the Company. Information on standards expected to be relevant to these annual financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the standards. New standards, interpretations and amendments neither adopted nor listed below, the Company expects those not to have a material impact on these annual financial statements. The most likely impacting standards/amendments/interpretations are:

***IFRS 9 'Financial Instruments'***

IFRS 9 'Financial Instruments' was released by the IASB, representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new IFRS 9 standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a single, new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information.

***IFRS 15 'Revenue from Contracts with Customers'***

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and reward. A five-step process must be applied before revenue can be recognised:

1. identify contracts with customers
2. identify the separate performance obligation
3. determine the transaction price of the contract
4. allocate the transaction price to each of the separate performance obligations, and
5. recognise the revenue as each performance obligation is satisfied.

Additionally the new standard provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

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The effective date of the above standard and amendments in Clarifications to IFRS 15 is annual reporting periods beginning on or after 1 January 2018. Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

*IFRS 16 'Leases'*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Management has started to assess the impact of IFRS 16 but is not yet in a position to provide quantified information.

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*Amendments to IAS 1 'Disclosure Initiative'*

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the balance sheet and the statement(s) of income and other comprehensive income (OCI) may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

*Amendments to IAS 7 'Disclosure Initiative'*

These amendments to IAS 7 Statement of Cash Flows require a disclosure of changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The final Standard Disclosure Initiative (Amendments to IAS 7) is effective for annual periods beginning on or after 1 January 2017.

These amendments are not expected to have a material impact on the Company. The Company expects that the effect of all other IFRSs or IFRIC interpretations and amendments not yet adopted by the EU is not material.

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## 1 Property, plant and equipment

The movements of the property, plant and equipment can be shown as follows:

	<b>30 September 2016 EUR 1,000</b>	<b>30 September 2015 EUR 1,000</b>
Balance as per 1 October		
• At cost	<b>119</b>	119
• Accumulated depreciation	<b>(111)</b>	(106)
Total book value	<b>8</b>	13
Movements:		
• Addition	<b>1</b>	1
• Disposals	-	(1)
• Depreciation	<b>(3)</b>	(5)
Total movements	<b>(2)</b>	(5)
Balance as per 30 September		
• At cost	<b>120</b>	119
• Accumulated depreciation	<b>(114)</b>	(111)
Total book value	<b>6</b>	8

Property, plant and equipment mainly relate to a car and office and computer equipment. Impairment adjustments were not deemed necessary.

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## 2 Financial assets

	Investments EUR 1,000	Loans to third parties EUR 1,000	Loans to METRO Group companies EUR 1,000	Total EUR 1,000
Balance as at 1 October 2014	8,995	8,414	795,904	813,313
Additions	-	-	943,068	943,068
Repayments	(8,995)	(305)	(45,975)	(55,275)
Reclassification from external to internal loans	-	(4,819)	(110,222)	(115,041)
Transfers to short term	-	-	21,246	21,246
Balance as at 30 September 2015	-	3,290	1,604,021	1,607,311
Balance as at 1 October 2015	-	3,290	1,604,021	1,607,311
Additions	-	-	86,197	86,197
Repayments	-	(314)	-	(314)
Transfers to short term	-	-	(449,937)	(449,937)
Balance as at 30 September 2016	-	2,976	1,240,281	1,243,257

The interest on fixed interest rate loans varies between 0.936% and 5.533% (2015: 0.936% and 5.855%), depending on the lifetime and interest periods of the respective loans.

The expiration dates of the non-current loans are between 2017 and 2024 (2015: 2016 and 2024). Impairment adjustments were not deemed necessary.

Loans to third parties, to non-consolidated Group companies and to Group companies with possible impairment needs are secured either by one or a combination of the following collaterals:

- Corporate guarantee of METRO AG
- Mortgages
- Negative pledge clause
- Pledge of lease payments

In September 2013 Metro Finance BV purchased MIAG B.V. from sole shareholder MIAG C.V. The purchase price amounted to EUR 8,995 thousand. Metro Finance B.V. was sole shareholder of MIAG B.V. As per 30 September 2015 MIAG B.V. was liquidated.

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### 3 Deferred tax assets and liabilities

At 30 September 2016, a net amount of EUR 116 thousand deferred tax asset exist (2015: EUR 16 thousand liabilities).

Deferred tax assets and liabilities relate to the difference in measurement basis for IFRS and fiscal reporting purposes with regards to derivative financial instruments. For Dutch fiscal purposes these are valued at cost or lower market value rule while under IFRS fair value accounting is applied. The measurement difference is temporary in nature.

### 4 Loans and receivables

	30 September 2016 EUR 1,000	30 September 2015 EUR 1,000
Loans to Metro Group companies	2,699,695	2,637,832
Loans to third parties	-	4,819
Interest receivable Metro Group companies	53,792	61,974
Other receivables	-	73
Balance as at 30 September	<u>2,753,487</u>	<u>2,704,698</u>

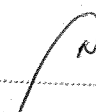
The loans to METRO AG and Metro Group companies, as well as to third parties will be due within one year from balance sheet date. As per 30 September 2016, Loans to Metro Group companies comprise a current account position of EUR 921 million (2015: 657 million) with METRO AG. The interest on fixed interest rate loans varies between 3.079% and 5.855% (2015: 1.527 % and 6.69%), depending on the original lifetime and interest periods of the respective loans. The interest of loans which original duration is less than one year is based on EURIBOR plus a margin of between 0.85% and 7.30%. Impairment adjustments have not been deemed necessary.

Loans to third parties, to non-consolidated Group companies and to Group companies with possible impairment needs are secured either by one or a combination of the collaterals which are included in Note 2.

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## 5 Other assets

Other assets per 30 September 2016 reflect the fair value of forward contracts used to hedge the future foreign exchange loan redemptions and related interest cash flows.

	30 September 2016 EUR 1,000	30 September 2015 EUR 1,000
Derivatives: Foreign exchange contracts	6,220	20,288
	<u>6,220</u>	<u>20,288</u>

The change in derivatives during the year can be specified as follows:

	30 September 2016 EUR 1,000	30 September 2015 EUR 1,000
Opening balance as at 1 October	20,288	22,352
Change in fair value	(14,068)	(2,064)
Closing balance as at 30 September	<u>6,220</u>	<u>20,288</u>

For the notional amount of the derivatives, reference is made to Note 18, under liquidity risk.

## 6 Cash and cash equivalents

Cash and cash equivalents include bank balances held with commercial banks, that are due within three months after balance sheet date and which are at the free disposal of the company.

## 7 Shareholder's equity

The authorised share capital of the company as at 30 September 2016 consists of 700 ordinary shares of EUR 1 thousand each (2015: 700 ordinary shares of EUR 1 thousand each). The issued and fully paid-up share capital consists of 453 shares (2015: 453 shares).

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholders' meetings of the Company.

The proposal for appropriation of net results over 2015 has been adopted at the Shareholders Meeting.

The retained earnings consist of the cumulative results of operations since the date of incorporation, less any dividends paid.

Reference is made to the statement of changes in equity as included in the financial statements.

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## 8 Bonds

	Maturity	Fixed Interest	Effective interest	Carrying amount 30 September 2016 EUR 1,000	Principal amount 30 September 2016 EUR 1,000	Carrying amount 30 September 2015 EUR 1,000	Principal amount 30 September 2015 EUR 1,000
		%	%				
Maturity more than 1 years:							
				-	-	49,955	50,000
EMTN Notes	2017	4.25	4.32	-	-	749,330	750,000
EMTN Notes	2018	2.25	2.40	498,815	500,000	498,101	500,000
EMTN Notes	2020	4.05	4.19	124,469	125,000	124,323	125,000
EMTN Notes	2022	4.00	4.04	74,869	75,000	74,849	75,000
Total				698,153	700,000	1,496,558	1,500,000

All instruments have been issued under the EMTN and DIP programs. The notes are denominated in EUR, and bear interest depending on the lifetime and interest periods of the respective loans.

The DIP and EMTN programmes are operated via listings on (regulated) exchanges in Frankfurt am Main and Luxembourg. For an overview of fair values reference is made to the note on financial risk management.

## 9 Loans from Metro group companies

	30 September 2016 EUR 1,000	30 September 2015 EUR 1,000
Loans from Metro Group companies	1,334,090	1,692,485
Current account balances with regards to Metro Group companies	1,190,613	956,733
Interest payables	1,348	1,191
Balance as at 30 September	2,526,051	2,650,409

The interests are based on EURIBOR flat or – in special cases – plus a margin of 0.85%. The interest rates for loans which are denominated in other currencies than EURO are set after a derivative contract has been entered with regard to the non-EURO loan.

Based on the repayment term of the loans, an amount of EUR 65 million is presented as non-current liabilities. The maturity date of this loan is 30 May 2018.

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## 10 Bonds (current part)

	30 September 2016 EUR 1,000	30 September 2015 EUR 1,000
EMTN Notes	49,980	49,995
EMTN Notes	621,498	-
Balance as at 30 September	671,478	49,995

The interest accruals related to the Bonds are presented under other liabilities and accrued expenses. The bonds expire in July and February 2017 respectively (2015: January 2016). The nominal interest on the EUR 50 million floating unlisted bond, maturing in July 2017, is based on the 6-month EURIBOR plus a margin of 1.25%. The EUR 750 million listed bond, maturing in February 2017, was partially repaid in September 2016. The remaining nominal value at balance sheet date amounts to EUR 621,692 thousand. This bond has a nominal fixed interest of 4.25%.

## 11 Other liabilities and accrued expenses

	30 September 2016 EUR 1,000	30 September 2015 EUR 1,000
Accrued interest bonds	27,982	29,067
Derivatives	8,303	16,402
Other liabilities	949	867
Balance as at 30 September	37,234	46,336

A short term overdraft on bank accounts would have been represented under other liabilities.

Short term overdrafts on the bank accounts are covered by credit facilities with bank. These facilities, amounting to EUR 145 million (2015: EUR 85 million), were undrawn at year-end.

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The change in derivatives during the year can be specified as follows:

	<b>30 September 2016 EUR 1,000</b>	<b>30 September 2015 EUR 1,000</b>
Balance as at 1 October	<b>16,402</b>	2,557
Change in fair value	<b>(8,099)</b>	13,845
Balance as at 30 September	<b>8,303</b>	16,402

The derivatives per 30 September 2016 reflect the fair value of forward contracts to hedge the future foreign exchange loan redemptions and related interest cash flows.

For the notional amount of the derivatives, reference is made to Note 18, under liquidity risk.

## **12 Financial income**

	<b>2015/2016 EUR 1,000</b>	<b>2014/2015 EUR 1,000</b>
<b>Interest income from loans and receivable</b>		
Thereof financial instruments of the IAS 39 measurement categories and related classes of financial instruments:		
• Loans and receivables – external counterparties	-	3,685
• Loans and receivables – Metro Group companies	<b>93,871</b>	148,897
Subtotal interest income	<b>93,871</b>	152,582
<b>Currency translation gains</b>		
Currency translation gains on loans and receivables	<b>3,867</b>	41,407
Fair value changes on derivatives - external counterparties	<b>8,969</b>	-
Fair value changes on derivatives - Metro Group companies	<b>3,167</b>	1,372
Subtotal foreign exchange income	<b>16,003</b>	42,779
<b>Financial income</b>	<b>109,874</b>	195,361

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### 13 Financial expense

	2015/2016 EUR 1,000	2014/2015 EUR 1,000
<b>Interest expense from loans and borrowings and other financial expenses</b>		
Thereof financial instruments of the IAS 39 measurement categories and related classes of financial instruments:		
• Loans and borrowings – external counterparties	56,939	54,815
• Loans and borrowings – Metro Group companies	10,091	10,128
• Financial expense – METRO AG	11,856	30,271
• Interest expenses relating to hedge-transactions	3,503	50,455
Subtotal interest expense	82,389	145,669
<b>Currency translation losses</b>		
Currency translation losses on loans and receivables	5,589	27,607
Fair value changes on derivatives - external counterparties	17,236	15,911
Fair value changes on derivatives - Metro Group companies	870	1,371
Subtotal foreign exchange losses	23,695	44,889
<b>Financial expense</b>	<b>106,084</b>	<b>190,558</b>

Interest expenses relating to hedge-transactions reflect the interest component in foreign currency derivatives.

The financial expense METRO AG is the difference between the actual gross income (before deducting operational expenses and financial expense METRO AG) realized in the financial year and the arm's length spread as agreed in the service agreement with Metro AG.

### 14 Other income

The other income consists of general expenses and services fees which were cross charged by METRO Finance B.V. to METRO Group companies relating to expenses incurred and services rendered. The cross charges have been based on documented policies.

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## 15 Wages and salaries

	2015/2016 EUR 1,000	2014/2015 EUR 1,000
Wages and salaries	1,025	1,008
Social security charges and pension contributions	(11)	15
	<u>1,014</u>	<u>1,023</u>

For an overview of staff members and remuneration of Board of Managing and Supervisory Directors, reference is made to Note 21 and Note 22.

## 16 Other expenses

Other expenses relate to general and administrative expenses.

In other expenses audit fee is included, amounting to EUR 79 thousand (2015: EUR 75), of which EUR 33 thousand (2015: EUR 29 thousand) was charged by BDO Audit & Assurance B.V. Amstelveen, and the remaining EUR 46 thousand (2015: 46 thousand) was paid to KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany).

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## 17 Income tax

	2015/2016 EUR 1,000	2014/2015 EUR 1,000
Profit (loss) before tax	1,484	2,582
Expected tax expense (benefit) based on rate of 25.0% (2015: 25.0%)	371	645
Adjustment for prior year	-	302
Total effective income tax expense	371	947

The tax charge can be specified as follows:

	2015/2016 EUR 1,000	2014/2015 EUR 1,000
Current tax expense	504	993
Deferred tax expense	(133)	(46)
	371	947

Current tax expense recognised in profit or loss:

	2015/2016 EUR 1,000	2014/2015 EUR 1,000
Current year	504	692
Adjustment for prior year	-	301
	504	993
Movement deferred tax liability	(133)	(46)
	371	947

The nominal tax rate is 25.0% (2015: 25.0%). The tax charge in the statement of income as per 30 September 2016 amounts to an expense of EUR 371 thousand (2015: EUR 645 thousand expense) being 25.0% nominal of the result before taxes (2015: 25.0%). As adjustments for prior years were not necessary, the effective income tax expense remains EUR 371 thousand (2015: EUR 947 expense) being 25.0% (2015: 36.7%) of the result before taxes.

No permanent differences between fiscal and commercial tax base were identified.

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## 18 Financial risk management

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk including interest rate and currency risk.

This note presents information about the exposure of the Company to each of the above risks, the Company's objectives, policies and processes for managing and measuring these risks, and the Company's approach to capital management.

### General

During the normal course of business, the company uses various financial instruments that expose the company to market, credit and liquidity risks. The company is exposed to these risks given the portfolio of interest-bearing receivables (mainly taken up in financial fixed assets and cash at bank and in hand), interest-bearing long term and current liabilities (including bonds and bank loans) as well as derivative financial instruments.

The company does not trade these financial derivatives and follows procedures and lines of conduct to limit the size of the credit risk with each counterparty and market. If counterparties fail to meet payment obligations to the company, the resulting losses in principle are limited to the fair value of the instruments in question. The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit or market risks.

### Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables. Due to activities and agreements within the METRO Group the credit risk is very limited. No receivables are past due or have been impaired at balance sheet date.

In the course of the risk management of monetary investments and financial derivatives, minimum creditworthiness requirements and maximum exposure limits have been defined for all business partners of METRO Group. This is based on a system of limits laid down in the treasury guidelines applied within the METRO Group.

The Company reviews the creditworthiness internally as part of the Company risk management procedures. This risk has not materialised and no allowance for impairment for incurred losses in respect of receivables is recognised.

Approximately 100% (2015: 100%) of the receivables of the company are held with related parties, for definition see below to related party transactions. Approximately 42% (2015: 38%) of the receivables is concentrated with METRO Cash and Carry International Holding B.V., The Netherlands. However, as all receivables from METRO group companies are guaranteed by METRO AG under the service agreement in place, the credit risk for METRO Finance B.V. is mainly concentrated with this parent company.

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The receivables outstanding with third parties amount to EUR 3 Million (2015: EUR 8 million). We refer to Note 2 and Note 4, for further information. These receivables are secured by the following:

- Guarantee of Metro AG;
- Mortgage agreement, and.
- Pledge to take over rental receivables.

In general management of the Company tend to assess and review credit risk for counterparties within the Group. If considered necessary receivables will be secured by adequate warranty instruments

### Liquidity risk

Due to guarantees of METRO AG, METRO Finance B.V. has access to sufficient liquidity reserves so that liquidity risk is limited. Loans and receivables as well as cash flows out of derivatives due within the last 90 days result from standard business transactions, no one of these are past due. For all capitalised financial instruments which are not past due, there is no indication based on the debtor's creditworthiness that would require impairment.

The following table provides a maturity overview of contractual cash flows. The amounts disclosed in the table are the contractual undiscounted amounts. Derivatives cash flows only include the payable leg of the contract.

<b>Maturity of liabilities and cash outflows (contractual cash flows)</b>	<b>Less than 1 year EUR 1,000</b>	<b>Between 1 and 5 years EUR 1,000</b>	<b>Over 5 years EUR 1,000</b>
<b>At 30 September 2015</b>			
Bonds	50,000	1,425,000	75,000
Interest on bonds	53,392	87,272	6,000
Loans and current accounts	2,649,218	65,000	-
Interest on loans and current accounts	3,400	4,771	-
Other payables	867	-	-
Derivatives	2,990,214	-	-
<b>Total</b>	<b>5,747,091</b>	<b>1,582,043</b>	<b>81,000</b>
<b>At 30 September 2016</b>			
Bonds	671,692	625,000	75,000
Interest on bonds	49,434	38,438	3,000
Loans and current accounts	2,524,703	65,000	-
Interest on loans and current accounts	3,793	2,386	-
Other payables	949	-	-
Derivatives	1,783,740	-	-
<b>Total</b>	<b>5,034,311</b>	<b>730,824</b>	<b>78,000</b>

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### **Interest rate risk**

The company is exposed to interest rate cash flow risk regarding floating interest rates on receivables and liabilities. In relation to fixed rate interest bearing receivables and liabilities, the company is exposed to fair value interest rate risk.

Derivative financial instruments may be used by the entity to hedge interest rate risks if deemed necessary.

Interest rate derivative financial instruments may be used to adjust the fixed or floating nature of the external loans obtained to the desired profile. The METRO Group interest rate policy aims to reduce the financing costs as much as possible. Derivative financial instruments are not used for speculative purposes.

The estimated market value indicates the amount payable or receivable in exchange for termination of the contracts as at year-end without further obligations.

### ***Sensitivity analysis***

At 30 September 2016, if EURIBOR interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 198 thousand higher/lower (2015: EUR 107 thousand lower/higher). Because of the existing service agreement with METRO AG, according to which an interest margin is agreed, the change in interest rates would have had no impact on the statement of income.

### **Currency risk**

The company is exposed to foreign exchange risk on loan receivables and payables denominated in a currency other than the euro. Foreign currency derivative financial instruments, mainly currency forwards and swaps may be used to reduce the foreign currency risk arising on financing and funding transactions in foreign currencies. Forward exchange contracts and currency swap contracts are entered into to adjust the currency of the payables and receivables to the desired currency. The derivative financial instruments are not collateralized and are not used for speculative purposes.

The estimated market value indicates the amount payable or receivable in exchange for termination of the contracts as at year-end without further obligations.

As per 30 September 2016, a total of 117 foreign exchange forward contracts (EUR against RUB, RON, DKK, GBP, JPY, HRK, HUF, CZK, CHF, TRY, SEK, PLN, THB, USD) were outstanding to hedge the foreign exchange currency risk of the future foreign exchange interest margin relating to the foreign exchange deals with METRO Group companies and banks. The deals consist of loans and receivables with METRO Group companies. We refer to the paragraph on "interest rate risk".

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The summary of the Group's main exposure to foreign currency risk is as follows:

	<b>HUF</b>	<b>JPY</b>	<b>PLN</b>	<b>RON</b>	<b>RUB</b>
	<b>HUF 1,000</b>	<b>JPY 1,000</b>	<b>PLN 1,000</b>	<b>RON 1,000</b>	<b>RUB 1,000</b>
<b>At 30 September 2016</b>					
<u>Financial assets</u>					
Loans to METRO Group companies	-	8,810,609	41,573	161,342	1,110,792
<u>Financial liabilities</u>					
Loans from METRO Group companies	(31,026,781)	(400,000)	(906,539)	(517,077)	(4,145,605)
Net statement of financial position exposure	<b>(31,026,781)</b>	<b>8,410,609</b>	<b>(864,966)</b>	<b>(355,735)</b>	<b>(3,034,813)</b>
Forward exchange contracts	31,026,781	(8,410,609)	864,966	355,735	3,034,813
<b>Net exposure</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>

### ***Sensitivity analysis***

We perform foreign currency sensitivity analysis by applying an adjustment to the spot rates prevailing at year-end. This adjustment is based on observed changes in the exchange rate in the past and management expectation for possible future movements. We then apply the expected possible volatility to revalue all monetary assets and liabilities (including derivative financial instruments) in a currency other than the functional currency of the subsidiary in its balance sheet at year-end.

At 30 September 2016, if the euro had weakened/strengthened by 10 percent against the RON with all other variables held constant, post-tax profit for the year would have been EUR 16 thousand (2015: EUR 10 thousand) lower/higher, because the RON positions are hedged.

At 30 September 2016, if the euro had weakened/strengthened by 10 percent against the PLN with all other variables held constant, post-tax profit for the year would have been EUR 26 thousand (2015: EUR 20 thousand) lower/higher, because the PLN positions are hedged.

At 30 September 2016, if the euro had weakened/strengthened by 10 percent against the RUB with all other variables held constant, post-tax profit for the year would have been EUR 5 thousand (2015: EUR 449 thousand) lower/higher, because the RUB positions are hedged.

### ***Capital Management***

For the purpose of its function as a financing company within the METRO Group, the Board of Managing Directors' policy is to maintain a sufficient capital base. An equity position of approximately EUR 20 million is regarded as sufficient. There were no changes in the approach to capital management. The Company is not subject to externally imposed capital requirements.

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*Fair value*

The fair value of the financial instruments stated on the balance sheet can be specified as follows:

	Note	Fair value	Carrying value	Fair value	Carrying value
	Ref.	30 September 2016	30 September 2016	30 September 2015	30 September 2015
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
<b>Financial assets</b>	<b>2</b>				
Loans to third parties		2,990	2,976	3,297	3,290
Loans to Metro Group companies		1,327,883	1,240,281	1,738,873	1,604,021
<b>Loans and receivables</b>	<b>4</b>				
Loans to third parties		-	-	4,851	4,819
Loans to Metro Group companies		2,748,342	2,699,695	2,678,180	2,637,832
<b>Other assets</b>	<b>5</b>	6,220	6,220	20,288	20,288
<b>Non-current liabilities</b>					
Bond	8	754,300	698,153	1,612,322	1,496,558
Loans from Metro Group companies	9	69,999	65,000	72,000	65,000
<b>Current liabilities</b>					
Loans from Metro Group companies	9	2,525,554	2,524,703	2,649,598	2,649,217
Bonds	10	698,872	671,478	51,495	49,995
Other liabilities-derivatives	11	8,303	8,303	16,402	16,402

We refer to notes mentioned to facilitate reconciliation to the face of the balance sheet. All assets, except for derivatives, are categorized as loans and receivables and valued accordingly at amortised cost. Derivatives are categorized at fair value through profit and loss and valued and accounted for accordingly. All liabilities are categorised as other financial liabilities and measured at amortised cost.

All Metro Finance B.V.'s financial instruments accounted for at fair value classify as Level 2 within the IFRS 7 fair value hierarchy. During the year, there have been neither financial instruments accounted for at fair value classifying as Level 1 or 3 nor transfers between Level 2 and other Levels.

Currency swaps and forward currency transactions (all level 2) are measured using the market-to-market method based on quoted exchange rates.

All fair values represent the theoretical value of these instruments upon dissolution of the transaction at the period. Under the premise that instruments are held until the end of their term, these are unrealised gains and losses that, by the end of the term, will be fully set off by gains and losses from the underlying transactions in the case of fully effective hedging transactions.

Hedging transactions that, according to IAS 39, are not part of a hedge are recognised at their fair value. Value changes are recognised directly in the statement of income. Even if no formal hedging relationships was created, these are hedging transactions that are closely connected to the underlying business and whose impact on earnings will be netted by the underlying transactions (natural hedge).

The Measurement of the fair value of bonds are based on the market interest rate curve following the zero- coupon method in consideration of credit spreads (level 2).

The fair value of all other financial assets and liabilities that are not listed on an exchange correspond to the present value of payments underlying these balance sheet items. The calculation was based on the applicable country-specific yield curves (level 2) as of the closing date.

## **19 Related party transactions**

Metro Finance B.V. has business relationships with Metro AG, the sole shareholder, and several Metro Group companies.

The main activities of Metro Finance B.V. focus on providing short term financial services (up to one year), in particular by granting loans to and accepting deposits from METRO Group companies as well as granting loans for mid an long-term funding of METRO Group companies as well as hedging of related currency risks. Besides accepting deposits from METRO Group companies refinancing is done via the capital markets. The pricings for transactions with affiliated companies are based on arm's length interest rates.

Metro Finance B.V. has entered into a service agreement ("Service and limitation of risk agreement") with parent company METRO AG in which a fixed arms' length spread for the Company has been agreed. Thus the risk exposure of METRO Finance B.V. is limited. The corporate recharge is disclosed under the financial expenses in Note 13.

The balance outstanding with and interest income and expenses related to parent company METRO AG are disclosed in Note 9 and 13 while the outstanding balances and interest income and expenses with METRO Group companies other than the parent company are separately disclosed in Note 4, 9, 12 and 13.

For an overview of all Metro Group companies we refer to the consolidated financial statements of METRO AG.

Business relationships with related parties are based on contractual agreements providing for at arm's length prices. During the financial year 2016, no (nil) dividend was paid to METRO AG (2015: nil).

The Company had no business relations with related natural persons during the financial year.

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*[Handwritten signature]*

## 20 Contingent obligations

The company has prolonged its rent agreement with a fixed period until 31 December 2020, cancellable on the basis of a 12 month period, which means before 31 December 2019 at the earliest, for its office building, with a total obligation of EUR 225 thousand (2015: EUR 103 thousand based on a duration until 31 May 2017) for the remaining contractual period. EUR 58 thousand were due in the financial year 2016 (2015: EUR 56 thousand). Furthermore, there are obligations out of operational leasing of two company cars. There are two contracts with BMW: one expires at 31 March 2020 with a total obligation of EUR 84 thousand (2015: EUR 13 thousand which expired at 31 March 2016) and the other contract expires at 28 February 2018 with a total obligation of EUR 36 thousand (2015: EUR 58 thousand). No other off balance sheet liabilities, guarantees or long term financial obligations are applicable.

Metro Finance B.V. forms a fiscal unity for corporation tax purposes with her partner METRO Cash & Carry International Holding B.V. Each of the entities is jointly and severally liable for the combined total corporate income tax obligation.

## 21 Personnel

The company employed 10 persons (2015: 10) on average in the financial year. Measured in full time equivalents, the company employed 9.5 FTE on average during the financial year (2015: 9.5). No employees were employed outside of The Netherlands.

## 22 Remuneration of the Boards of Managing Directors and Supervisory Directors

The Board of Managing Directors consisted of 4 persons during the financial year (2015: 4). The remuneration for the Managing Directors amounted to EUR 527 thousand (2015: EUR 503 thousand). The fixed based remuneration amounted to EUR 342 thousand (2015: EUR 310 thousand). The variable part amounted to EUR 185 thousand (2015: EUR 193 thousand).

The Board of Supervisory Directors consisted of 3 persons during the financial year (2015: 3). The remuneration for the Supervisory Board for the financial year 2016 amounted to EUR 8 thousand. (2015: EUR 8 thousand).

All remuneration of the Boards of Managing Directors and Supervisory Directors relate to short-term employee benefits.

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## 23 Subsequent events

In March 2016, the Management Board of METRO AG announced the creation of two independent and sector focused companies through a demerger of the group: A Wholesale and Food Specialist group as well as a Consumer Electronics products and service group. Should the shareholders vote in favour, the implementation of the demerger is aimed for mid-2017.

The operative business of METRO Finance B.V. is not expected to be impacted by the demerger. No decisions about the demerger have been agreed so far.

Venlo, 16 December 2016

The Board of Managing Directors,

The Board of Supervisory Directors,

O. Kruse

M. Frese

H.D. Hinker

T. Grad



H. Laaks

H. Sachs

F. Duijst

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## Other Information

### Provisions in the Articles of Association governing the appropriation of profit

According to article 22.1 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate the profit wholly or partly to the general or specific reserve funds.

According to article 22.2, the company can only make payments to the shareholders and other parties entitled to the distributable profit for the amount the shareholders' equity exceeds the paid-up and called-up part of the capital plus the legally required reserves.

### Proposal for profit appropriation

The Board of Managing Directors proposes to add the net result of EUR 1,113 million to the retained earnings. The financial statements do not yet reflect this proposal.

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## Independent auditor's report

To: the general meeting and the Board of Supervisory Directors of METRO Finance B.V.

### Report on the audit of the financial statements 2015/2016

#### Our opinion

We have audited the financial statements 2015/2016 of METRO Finance B.V., based in Venlo.

WE HAVE AUDITED	OUR OPINION
<p>The financial statements which comprise:</p> <ol style="list-style-type: none"> <li>1. the statement of financial position as at 30 September 2016</li> <li>2. the following statements for the year then ended: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and</li> <li>3. the notes comprising a summary of the significant accounting policies and other explanatory information.</li> </ol>	<p>In our opinion the enclosed financial statements give a true and fair view of the financial position of METRO Finance B.V. as at 30 September 2016 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.</p>

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of METRO Finance B.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 60 million. The materiality has been calculated with reference to a benchmark of total assets (representing 1.5% of reported total assets). We consider total assets to be one of the principal considerations for members of the company in assessing the financial performance of the company given the company's main activity is intra-group financing. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Supervisory Directors that misstatements in excess of € 3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Supervisory Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF LOANS ISSUED TO METRO AG GROUP COMPANIES	OUR AUDIT APPROACH
<p>We consider the valuation of the loans issued to METRO AG group companies for a total amount of € 3,99 billion, as disclosed in notes 2 and 4 to the financial statements, to be a key audit matter. We identified this as a key audit matter due to the size of the loan portfolio and the material effect an impairment may have on the income statement. Initially, loans are recognised at its fair value and subsequently measured at amortised cost using the effective interest method. The Board of Managing Directors did not identify objective evidence of an impairment with regard to the loans issued to METRO AG group companies.</p>	<p>We have performed detailed audit procedures addressing the valuation of the loans issued to METRO AG group companies. Due to an agreement with METRO AG, the loans issued by METRO Finance B.V. to METRO AG group companies are guaranteed. We have assessed the quality of the guarantee provided by METRO AG with regard to the issued loans to METRO AG group companies and, following the guarantee provided, we have performed an analysis of the financial position of METRO AG. We have assessed and validated the analysis of the Board of Managing Directors and discussed with the Board of Managing Directors of METRO Finance B.V. whether objective evidence exist that issued loans should be impaired.</p>
VALUATION OF DERIVATIVES	OUR AUDIT APPROACH
<p>We consider the fair value of the derivatives as disclosed in notes 5 and 11 to the financial statements to be a key audit matter. The derivative portfolio of METRO Finance B.V. consist of foreign currency swaps. The market for these derivatives is not always fully liquid. In addition, recent market developments including the volatility of the currency basis spread further increased the subjectivity of the valuation of these instruments as well as the number of input factors to take into account in the valuation.</p>	<p>We have tested the valuation of the derivatives on an integral basis. We have tested the valuation model that is used by the company by assessing whether the model and the input data used is in line with market practice. The input in the valuation model is validated by using external data. We have audited the output of the valuation model of the company. We have compared the output from our testing and the output from the company's model and investigated any material deviations. We have also assessed the mathematical accuracy of the underlying derivatives overview.</p>

### Responsibilities of the Board of Managing Directors and the Board of Supervisory Directors for the financial statements

The Board of Managing Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Managing Directors is responsible for such internal control as the Board of Managing Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Managing Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Managing Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Managing Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Managing Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Supervisory Directors is responsible for overseeing the company's financial reporting process.

### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managing Directors.
- Concluding on the appropriateness of the Board of Managing Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Supervisory Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Supervisory Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Supervisory Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

## **Report on other legal and regulatory requirements**

### **Other information**

This report includes, next to the financial statements and our opinion thereon, other information. This other information consists of:

- the report of the Board of Supervisory Directors;
- the report of the Board of Managing Directors;
- the other information on page 41.

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code and the auditing standards we report that:

- We have no deficiencies to report as a result of our examination whether the report of the Board of Managing Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the other information on page 41 as required by Part 9 of Book 2 of the Dutch Civil Code have been annexed.
- The report of the Board of Managing Directors, to the extent we can assess, is consistent with the financial statements.
- We have nothing to report regarding the other information other than the report of the Board of Managing Directors and the other information on page 41.

Our opinion on the financial statements does not include the other information and we do not express an opinion or other assurance conclusion on the other information. As part of our audit on the financial statements and based on the auditing standards, it is our responsibility to read the other information. We have to assess whether there are any material inconsistencies between the other information and the financial statements. In order to do so, we use the obtained audit evidence of audit of the financial statements and the conclusions drawn in our audit. We also determine whether the other information in other ways seems to include material deficiencies. If we conclude, based on the procedures performed, that the other information includes a material deficiency, we are required to report this matter.

The Board of Managing Directors is responsible for the preparation of the other information including the preparation of the report of the Board of Managing Directors and the other information on page 41 in accordance with Part 9 of Book 2 of the Dutch Civil Code.



### Engagement

We were engaged by the Board of Supervisory Directors as auditor of Metro Finance B.V. on 11 August 2014 as of the audit for year ended 30 September 2014 and have operated as statutory auditor ever since that date.

Amstelveen, 16 December 2016

For and on behalf of BDO Audit & Assurance B.V.,

  
drs. M.F. Meijer RA

For identification purposes: 