



MORE

THE METRO CONDENSED REPORT 2016/17

To offer our customers more,
we have to know what moves them.
We listen and ask questions.
You will find the answers in this
condensed report.

METRO

**WHAT IS
THE DIF-
FERENCE
BETWEEN
THE NEW
METRO
AND THE
OLD ONE?**



Interview with Olaf Koch, Chairman of the Management Board of METRO AG

OK The new METRO is much more clearly aligned. We are now a retail company which has a strong focus on food and is firmly established in wholesale at an international level. As a wholesaler, we want to be the partner of choice for the many small and medium-sized companies out there. Our aim with this is to make our customers even more successful. In Germany, food retail is also an important pillar of our business. We offer an extremely extensive, varied, high-quality product range in this segment.

You want to be your customers' partner 100%. What exactly is behind this objective?

OK We want to continuously become more relevant for our customers. To achieve this, we have to further sharpen and expand our focus on our selected target groups for each business unit and constantly optimise our offerings with them in mind. This includes top-quality, tailored product ranges, effective sales channels and delivery models, but also services such as advanced training, courses and innovative IT solutions which make small businesses in particular more efficient. We have already made a great deal of progress here over the last few years, but we know that we still have enormous potential to further enhance our relevance.

In other words, tailoring your offerings to specific countries and customer groups is the key to success?

OK You could say it is our elixir of life. For many years, standardisation was very successful in the wholesale sector. Nowadays, however, it is virtually impossible – and often serves no useful purpose – to define product ranges or formats at an international level. Building up the business so that it caters for local needs as well as possible is far more important. We need to have a very keen understanding of the relevant country's specifics and then concentrate on the most important target groups there. For example, do we want to focus on the food service industry or small, independent retailers? We also need to further improve the way in which we analyse which challenges our customers face, what their concrete support requirements are and how we can meet these.

Wholesale, including delivery, accounts for approximately 80% of revenue at METRO. What role does Real play?

OK Real is well on the way to serving a growing need in Germany's food retail sector. We already offer a unique level of variety. This strength needs to be supplemented with service and inspiration. The Food Lover concept, which we have implemented





in Krefeld, reflects this very strongly. It places an even stronger emphasis on quality and service, while the various food offerings impress and inspire customers. The Food Lover concept clearly shows that it is possible to turn our stores' substantial size into a strategic advantage. I am impressed with what the team at Real has achieved since summer last year and believe that converting other stores to the Food Lover concept offers bright prospects for bricks-and-mortar retail. Quite a lot has happened online over the past year too - for example by integrating the Hitmeister marketplace into the Real online store. As a result, Real is well placed as a modern, future-proof, multichannel retailer.

Are you worried about new online competitors in food retail?

OK When it comes to wholesale, direct and personal customer relationships, innovative offerings and services, plus trust and customer centricity are key success factors. We are extremely well placed here, both nationally and internationally, and will hold our own as a leading wholesaler in the future too. We will further strengthen our customer centricity over the next few years by taking various steps to cultivate and intensify

customer relationships, such as the Own Business Day. On top of this, we are also offering our customers a range of digital solutions, of course. Online food retail is currently a very dynamic area. However, it remains questionable whether it will be possible to implement this cost-effectively. After all, the marginal costs are substantial but customers are reluctant to pay extra and loyalty is very low. We will not ignore the issue though. At present, customers in selected towns and regions can place food orders online at real.de and have their shopping delivered to them at home by one of our partners. This shows that we are following developments here closely, but in a very restrained fashion.

By contrast, delivery orders have been on the rise for years in the wholesale segment. Are stores becoming less important here?

OK Not at all. In many countries, we are seeing a twofold trend: Firstly, delivery is increasing, especially for pre-packed goods and beverages. Secondly, restaurateurs still really like visiting us in-store. Especially when they are buying fresh and ultra-fresh products, they want to see and experience the goods. They want to be given advice and find out about the latest trends, receive suggestions or meet colleagues from the industry. Our stores are increasingly becoming meeting places for industry insiders and sources of inspiration.

Do you believe there are still more areas where the new METRO can grow in this segment?

OK There are all sorts of opportunities for growth. On one hand, we still have lots of options for expanding our physical presence. We are increasingly making use of innovative formats here, such as our new compact store in France. In addition to this, we will considerably ramp up delivery and offer new solutions here too, like the express service in Austria. There is potential for growth in specially defined products too, such as ready-sliced food packaged in single portions, which makes our customers' day-to-day work easier. This is an ideal opportunity for own brands. We will do much more in this field in particular over the next few years. However, there is huge potential in another area too: offering digital solutions.

Speaking of digitisation: you are mainly working on solutions for the food service industry. Why is that?

OK Food service is a fantastic industry. Millions of independent entrepreneurs give us access to a wonderful variety of dishes, inspiration and experiences with their passionate dedication. The vast majority of companies currently use next to no digital solutions though - and yet the number of available solutions which could make their businesses even more successful has increased rapidly over the last few years. We have been analysing this market since 2014 and supporting selected

OUR AIM IS TO POSITION OURSELVES AS A STRONG PARTNER AND SOLUTION PROVIDER OVER THE LONG TERM.

OLAF
KÖCH





start-ups with the METRO Accelerator since 2015. Since 2016, we have also been validating the advantages of various digital applications with the help of pilot customers. The outcome of all this is clear: we can take a big step closer to being the ideal partner for independent entrepreneurs by providing and marketing innovative solutions. There are lots of benefits for customers. A good website increases the number of visitors, for example, while a digital HR management system makes it easier to record the time worked and plan both rosters and leave. Business owners who manage their stock digitally can also monitor their store cupboard more easily, enabling them to significantly reduce waste. All of these solutions help to reduce operating costs and administrative expenses and make time for more important things.

The advantage for your customers is obvious. But how does METRO stand to benefit?

OK The principle is simple: we want to help make our customers even more successful and simplify their day-to-day work. Their success is our motivation. Taking this strategy to the next level also means investing in digital products and services. However, it is not about quick profits or immediate sales growth. Our aim is to position ourselves as a strong partner and solution provider over the long term and gain additional market share in this way.

How important are innovations within METRO in this regard?

OK METRO has a long-standing tradition of developing innovative solutions, for example in the field of checkout systems or merchandise management. We

have developed a host of new solutions in the last few years. 1 example of these is the delivery process, which has now been fully digitised and is being rolled out internationally. Thanks to new tools, our drivers can plan their routes much more efficiently. We have also succeeded in significantly reducing the amount of time spent on paperwork and documentation. On top of this, we have developed a new sales tool which allows contacts to be managed systematically and internal weaknesses to be identified. This enables our staff to cater for individual customers' needs even better and offer tailored solutions.

'METRO unboxed' was held in autumn. What was that all about?

OK The effective demerger of our company and its listing on the stock market in July 2017 marked the beginning of a whole new chapter in the history of our company. Our company has an incredible range of business models, innovations and cultures and we wanted to make it possible for our colleagues along with our many different partners, the media and the capital market to experience this in an entertaining way. During a 3-week exhibition, each business unit showcased itself with a representative story from the relevant country. The preparations alone involving all the different teams were incredibly impressive. When the exhibition started, there was a great sense of enthusiasm and fascination: for the first time, we could make the wonderful diversity of our company tangible in a single place. In addition to this, we invited METRO delegates from 25 METRO countries to symbolically mark the launch of our new company together. 'METRO unboxed' generated incredibly positive momentum. We intend to further develop formats like this in the future. It is all about fostering and making the best possible use of our wealth of knowledge and people.

What impresses you most about the staff at METRO?

OK Their passion is what impresses me most. We should consider ourselves very lucky to have so many co-workers who are enthusiastically looking for new means of making their field of work better for customers, business partners and colleagues. There is a great openness about trading new paths. I think that is fantastic and it makes me very confident. We still have so much we want to do together.

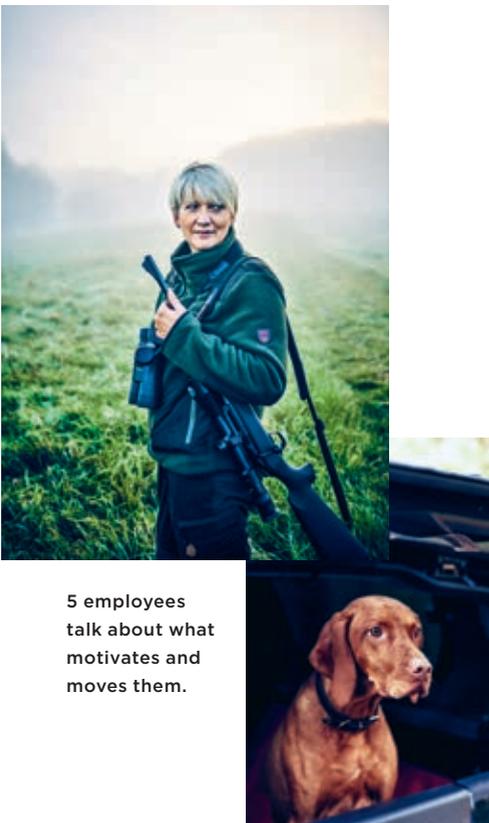


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In India, for example, where METRO has more than 1.8 million operators of small stores as customers.

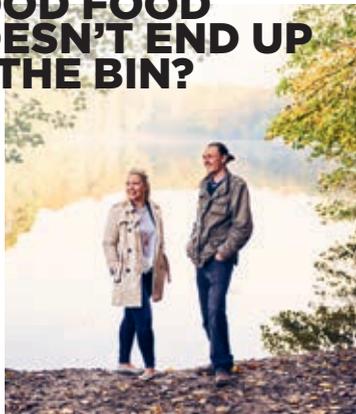
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WHO IS
BEHIND
THE NEW
METRO?

More than 150,000 employees who give their all for customers every day. Who think entrepreneurially, are open to new things, accept responsibility, learn from mistakes and work together to solve problems. And who bring a lot of external experience to the company. Here, 5 of them tell us what makes them tick.

HOW CAN



CHALLENGES BE OVERCOME?

“When I am called out with my colleagues from the voluntary fire brigade, **PROFESSIONALISM, RELIABILITY AND TEAMWORK** are what matter most. Just thinking about your own success and well-being doesn't work. Whether I am at work or volunteering, both our customers and citizens in need of help have to be able to rely on me at all times.”

**Frank
Groß**

AT METRO CASH & CARRY FOR 22 years --- POSITION customer manager at METRO Cash & Carry Germany
--- HOBBY putting out fires - member of the voluntary fire brigade since 1991, now chief fire officer

**Boris
Kalesse**

AT METRO SINCE 2011 --- POSITION Manager Corporate
Websites at METRO AG --- HOBBY demonstrating fighting
spirit - he has been practising historical martial arts for
5 years with his friends

“On the one hand, lots of practice, the right technique and tactics. On the other hand, learning from mistakes and defeats. In historical European martial arts, there is a culture of failure. Every time you compete with an opponent, you sound out your opportunities and try something new. The wrong decisions quickly lead to defeat, but that’s all part of it. This is precisely where the key to long-term success lies. YOU LEARN FROM YOUR MISTAKES, what works and what doesn’t, and that makes you better and better.”

WHAT IS THE KEY

TO WINNING?



WHAT MAKES



CUSTOMERS HAPPY?

“You need an excellent product and passion. Customers notice immediately whether you just want to sell something or whether your heart and soul are in it. I focus on extremely HIGH QUALITY AND UNUSUAL FLAVOURS. Whether it’s Thai, Indian or Mexican meatballs – things with a new twist are surprising. It’s what people go for. And: being friendly doesn’t hurt – not even in Berlin!”

**Jochen
Wolfgramm**

AT METRO CASH & CARRY SINCE June 2017 --- **POSITION** Social Media & Content Manager at METRO Cash & Carry Germany --- **HOBBY** frying meatballs – owner of Berlin Beef Balls for the past 4 years, runs a street food stand in Markthalle Neun, an indoor market in Berlin’s Kreuzberg district

“Hunters have a huge responsibility. We make sure the ecosystem in the hunting ground remains healthy. Wild boars cause serious damage to fields when they are looking for food, which has a massive impact on farmers’ earnings. As the animals’ natural predators, wolves, are extinct here, we regulate the population. RESPECT IS THE BE-ALL AND END-ALL - not just on a hunt, of course.”



**HOW
IMPORTANT
IS IT**

**TO TAKE
RESPONSIBILITY?**

**Monika
Lauer-Reiter**

AT METRO CASH & CARRY FOR 25 years --- POSITION member of the General Works Council METRO Cash & Carry Germany --- HOBBY stalking game - hunter in the Schöffengrund-Oberwetz hunting ground, Hesse, for 6 years

**Thomas
Körblein**

AT REAL SINCE 1990 --- **POSITION** manager of the Real store in Köln-Sülz --- **HOBBY** helping people - volunteer at the charity Malteser Hilfsdienst for 33 years

WHY IS IT WORTH

BEING OPEN TO NEW THINGS?



“As an ambulance driver and refugee support volunteer with Malteser Hilfsdienst, no 2 assignments are the same for me. I constantly have to adapt to new situations and people. It’s important not to close your mind, but to embrace differences. I have learnt to take an OPEN-MINDED, TOLERANT AND RESPECTFUL VIEW of new things at all times. This allows me to explore totally different perspectives, which is always an enriching experience. I have also noticed that our customers are very keen to help. For several years, we have been asking shoppers at my store to donate the deposit that is refunded when they return reusable bottles to charitable projects run by the Malteser organisation. This raises several thousand euros every year.”

WHY IS LOCAL PRODUCE SO OFTEN SO

GOOD?



Castilla-La Mancha, a region in central Spain, grows the world's best saffron, according to saffron producer Jesús Sánchez Cruza. So what makes it so special? It's the natural, traditional methods of harvesting, cleaning and roasting that make the difference. Thanks to ALMA MAKRO, AN INITIATIVE OF MAKRO CASH & CARRY SPAIN that provides financial support for traditional cultivation by local producers, and thanks to passionate helpers from his village, he has been able to increase his yields over the past few years.



It is nearly 11 o'clock and the sun shines bright from the clear blue sky. A purple glimmer lies over the crocus fields. Between the precisely planted rows of flowers, around 15 people are helping with the harvest. Stooping, the women and men carefully pluck the delicate flowers and place them in a brown wicker basket. Saffron producer Jesús Sánchez Cruza has mingled among the harvesters, where he passes on a few tips.

The saffron crocus, also known as *Crocus sativus*, belongs to the iris family. From its roots on, the plant can grow to a height of 30 cm. 6 petals protect the 3 stigmas inside the flower. It is these 2.5 to 4.5 cm long stigmas that will yield the saffron. The finest of all spices is sown in August and starts flowering at the end of October. This is when the short harvest season begins. It will end again in the middle of November.

Just like magic, in autumn the fields in La Mancha are transformed overnight into a glorious sea of colour. The time has come at last - and the flowers must be harvested immediately. The delicate crocus flowers cannot survive the Spanish sun for long and risk wilting. To prevent this, the harvesters go out every day. Harvesting by hand is a laborious business but, so far, there is no machine that can do this work. "The flowers are too delicate," says Jesús Sánchez Cruza. "They want to be handled with care. For me, picking is the nicest part of the production process." The 55-year-old is not only a successful saffron farmer, but is also President of the Asoma Cooperativa.

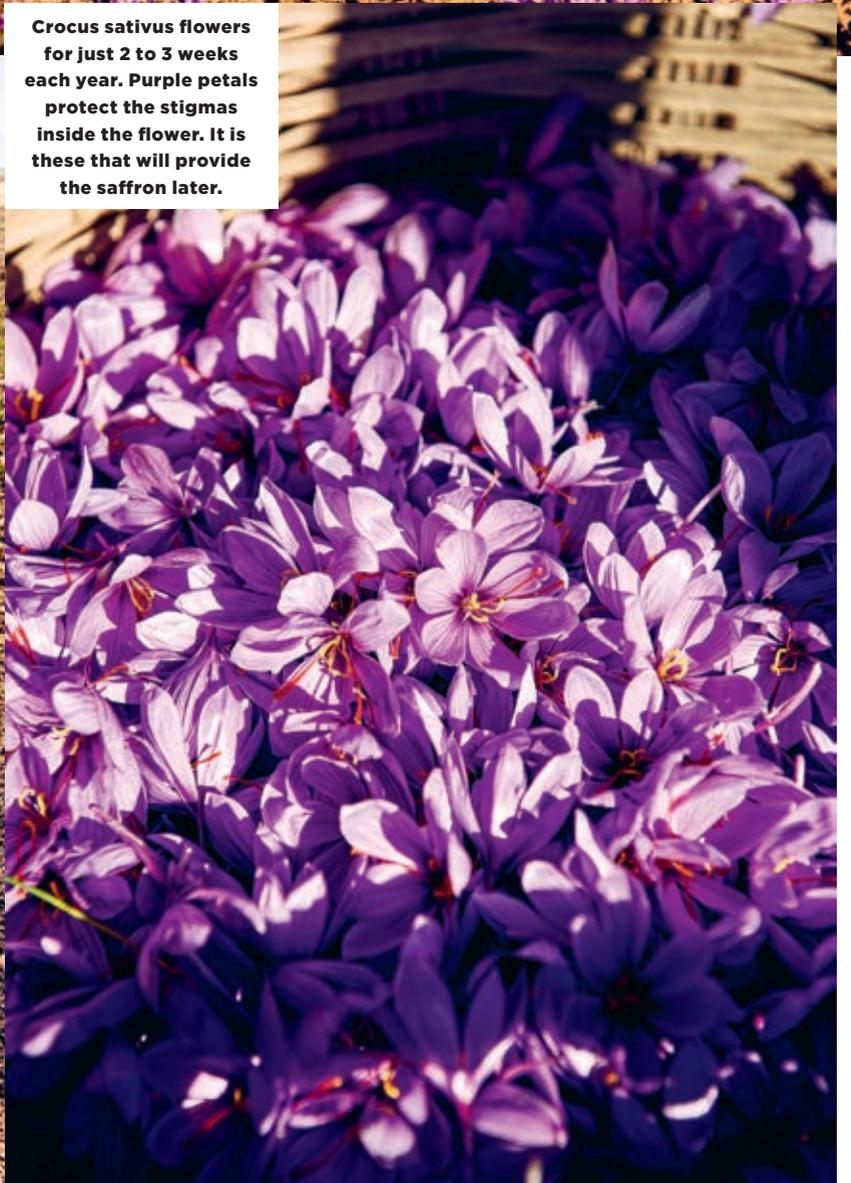
The Asoma Cooperativa is a non-profit cooperative of 9 saffron producers. As well as creating jobs for people, they are helping to revive saffron production in La Mancha. For a long time, there weren't many saffron growers in the region. The saffron crocus is relatively easy to grow in principle, in the right climate. However, making a profit from it is much harder. "The competition is fierce," explains Jesús Sánchez Cruza. "Moreover, you need around 250,000 flowers to produce a kilo of saffron. It's very rare for a farmer to be able to survive on the saffron harvest alone." He himself grows vegetables as well. Thanks to the support of Alma MAKRO, the Asoma Cooperativa has managed to keep increasing harvests since the project started in 2014. "To start with, our 2.5 hectares were producing around 4 to 5 kilos a year. Now we've managed to increase production to between 10 and 12 kilos of saffron a year," he says. Their biggest customer is MAKRO Cash & Carry Spain.

Through its Alma MAKRO initiative, the company is helping producers in the region continue with their traditional craft. Customers can buy the cooperative's saffron in 37 MAKRO stores. It is the world's best saffron, according to Jesús Sánchez Cruza, "because saffron from Castilla-La Mancha gives a better flavour and colour to dishes than any other type."





Crocus sativus flowers for just 2 to 3 weeks each year. Purple petals protect the stigmas inside the flower. It is these that will provide the saffron later.





Women and men from the village painstakingly remove the delicate red stigmas by hand.



The helpers receive saffron or "red gold" as payment instead of money. They can take a third of their day's output home with them.



F

From the field, the saffron is taken for further processing – not to a factory but to a house in the idyllic village of Villafranca de los Caballeros. Passing through a grand gateway and beautiful courtyard, you come to the main house. Inside, the intense smell of saffron is reminiscent of tea. In the middle of the room is a long table covered with a white cloth, on which hundreds of crocus flowers are spread. Around 25 women and men, most of them past retirement age, are removing the 3 delicate red stigmas from the flowers. The rest lands on the floor. The purple petals may be beautiful, but there is no further use for them.

There is a cheerful, almost family atmosphere among the helpers. “That’s what it’s all about for them,” explains Jesús Sánchez Cruza. “They use the harvest as a pastime, meet other villagers and swap news.” They receive saffron or “red gold” as payment instead of money. They can take a third of their day’s output home with them.

While most of the women and men are at the table busily removing the stigmas, another woman is roasting them. The aroma is not released until the stigmas are roasted over charcoal in a cylindrical sieve. Some say that saffron can have up to 150 different flavours: it starts sweet, with a slight hint of vanilla or caramel. Over the years, it becomes more and more powerful, like liquorice. Saffron is a seasoning that has a wide range of uses in the kitchen. However, it needs to be used with care. Because of its very intense flavour and colour, just 0.1 grams is enough for classic Spanish paella for 6 people.

Before the roasting process, the saffron strands are checked for other plant remains. Anything that isn’t red has no flavour and must be removed. “Because of this meticulous work by hand we ensure that only the stigma strands from each flower end up in our product. No impurities are permitted. This

is why the quality of our saffron is up to 45% higher even than that of our competitors in the region,” explains Jesús Sánchez Cruza. 2 or 3 women are responsible for the last stage: the professional packaging. They roll the saffron in small pieces of parchment to make it easier to fill the 1 gram and 2 gram

jars. Once the jars are labelled, the saffron is ready to be sent out to the MAKRO stores.

The day is drawing to a close. For the helpers, it’s time to go home after hours of work. New blossoms will appear overnight. In the morning it will be time to start again: picking, selecting, roasting and packing.

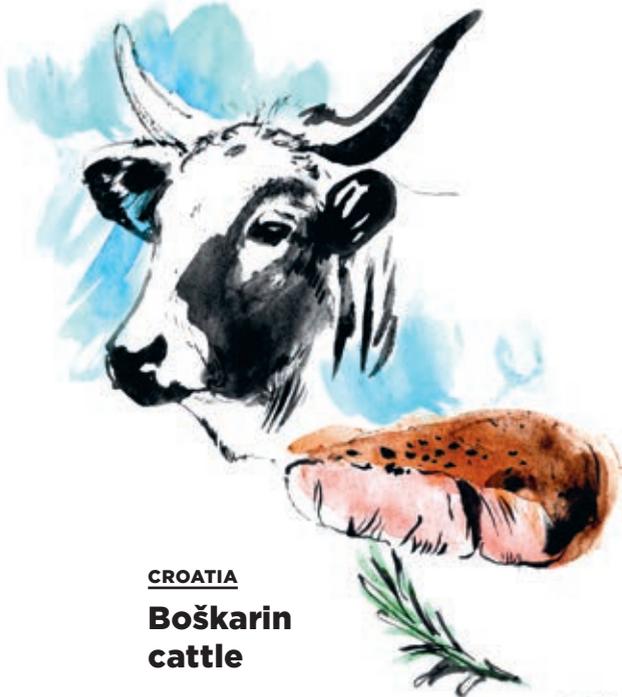


ALMA MAKRO - DOING THINGS WITH LOVE

Through its Alma MAKRO initiative, MAKRO Cash & Carry Spain helps small-scale farmers and producers in Spain to carry on despite tough competition and to produce authentic products using traditional methods. In doing so, MAKRO Cash & Carry Spain supports the local economy and offers its customers a unique product range that prioritises quality and sustainability.

WHAT MAKES WORKING WITH LOCAL PRODUCERS WORTH IT?

Being able to respond flexibly to local needs is a METRO success factor. Local specialties are therefore an integral part of the product range in many of our stores. In order to secure HIGH PRODUCT QUALITY AND DIVERSITY, METRO makes a point of working with local producers. This helps the local economy and pleases customers. A few examples from METRO countries in Eastern Europe.



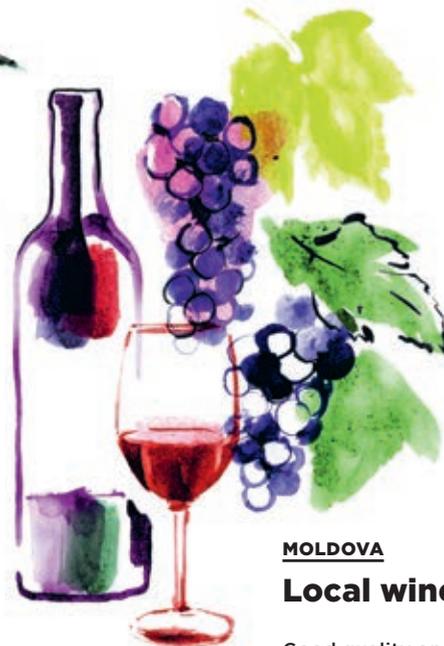
CROATIA Boškarin cattle

Beef from the Boškarin cattle in Istria is a Croatian delicacy, but the breed almost died out in the 1990s. Now, thanks to the collaboration between METRO Cash & Carry Croatia, the Istrian authorities and local farmers, there are more than 3,500 animals.



BULGARIA Pink tomatoes

More than 200 farmers in the region deliver fresh fruit and vegetables to the 11 METRO stores in Bulgaria every day. Their produce includes the Bulgarian pink tomato, a unique variety that has been grown in Bulgaria for over 100 years.



MOLDOVA Local winegrowers

Good quality on its own is not enough. You need good marketing too. And that's exactly how METRO Cash & Carry Moldova is supporting local winegrowers. They now have the opportunity to present their wines to food service professionals through promotional drives and special events.

More information on the topic can be found in our publication Corporate Responsibility 2016/17 Compact:

 WWW.METROAG.DE/CR-COMPACT-2016-17

67.1%

of Real's revenue from food sales comes from German products.



29.1%

of sales revenue comes from products from the rest of Europe.



3.8%

of sales revenue comes from products from other countries and overseas.

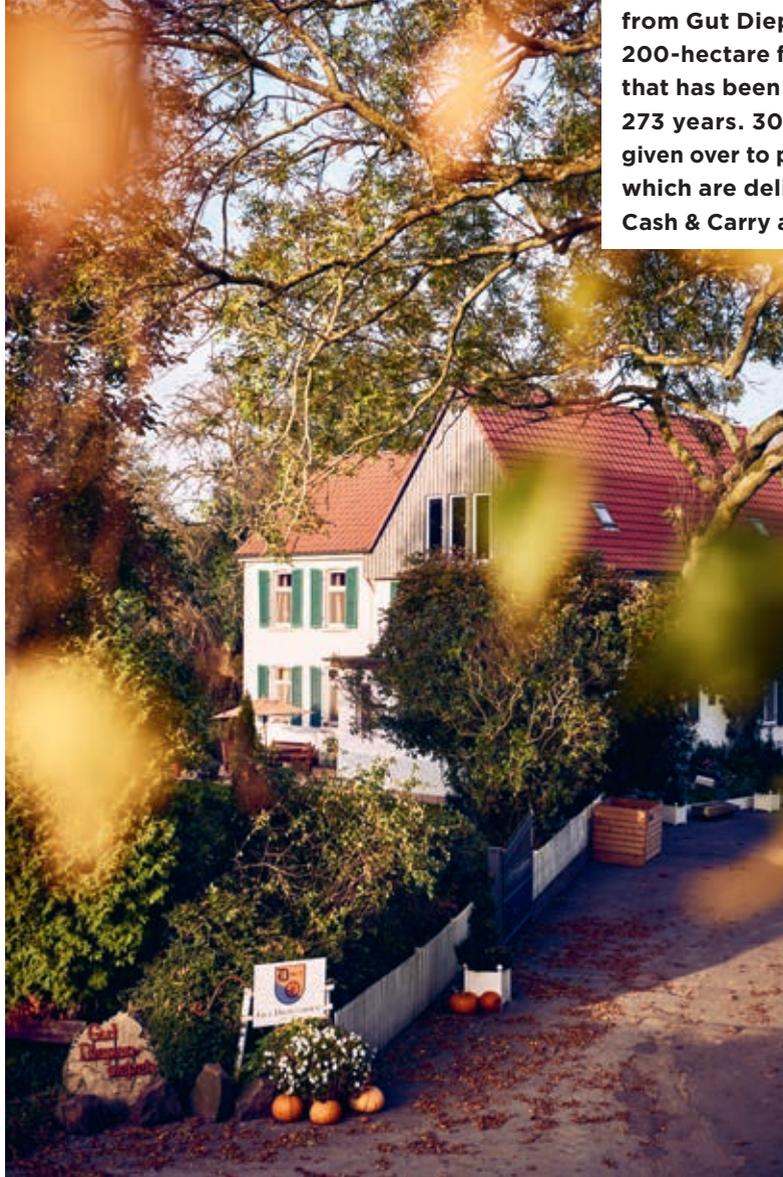


1 Not all products in the system are labelled with a country of origin. The calculation takes into account only items for which a country of origin has been entered.

WHERE DO THE SALES DRIVERS IN GERMAN FOOD RETAIL COME FROM? Real stocks some 80,000 articles in the food and non-food areas in its hypermarkets. From tinned tomatoes to bars of chocolate to fresh salad, everything comes in a number of varieties and types. Just under a third of the food articles on offer come from Germany.¹ That may not sound like much, but it is actually a lot - because Real generates most of its revenue from food produced in Germany.

WHERE DO

METRO's hallmarks are excellent quality and ultra-fresh produce. These are also the hallmarks of the many local producers who deliver to METRO each day. One of them is Christian Benninghoven from Gut Diepensiepen, a 200-hectare farm in Ratingen that has been in his family for 273 years. 30 hectares are given over to potatoes, some of which are delivered to METRO Cash & Carry and Real stores.



POTATOES COME FROM?



1

Field

6 different varieties grow on the Gut Diepensiepen farm. Annabelle and Allians are particularly popular. Planting can start in March and the yield is up to 1,400 tonnes per year. The farm uses strict crop rotation to maintain soil fertility and health. Potatoes are only planted on the same field at 5-year intervals. In the intervening years, the field is used to grow wheat and other cereals.



2

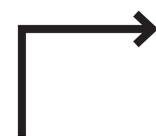
Harvesting and sorting

During harvesting, any stones, plant remains and earth as well as any damaged, green or rotten potatoes are discarded. The fine sorting takes place later on a conveyor belt. Afterwards, any potatoes that have been ordered by customers are washed and packed immediately, ready to be delivered. The rest of the harvest is placed in the cold store.



3

Packaging and loading



The potatoes are packed in 2.5-kilo bags or 5-kilo, 10-kilo or 12.5-kilo sacks as required, depending on whether they are for end consumers or commercial customers. Then they are grouped for the individual stores, stacked on pallets and loaded onto the truck.



④

Transport

Gut Diepensiepen delivers potatoes to various local customers several times a week. Since 2013, its customers include 6 METRO Cash & Carry and 3 Real stores. Orders are grouped to optimise capacity utilisation and route planning for every truck journey.



6°C

is the optimal storage temperature.



⑤

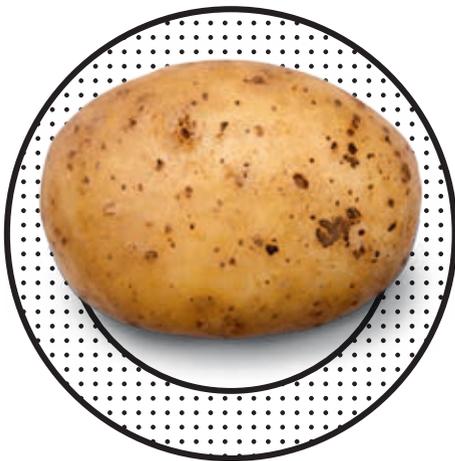
Arrival at the store

At the store, the potatoes are inspected again: are they fresh and free from blemishes? Are they the right temperature? Is the packaging intact? All these aspects are considered when accepting the goods. The potatoes then go on sale immediately and the stores advertise their local provenance. At Real, for instance, they use a special "Gutes aus der Heimat" logo.



56.8kg

is the amount of potatoes eaten per head per year on average in Germany.



⑥

On sale

The METRO Cash & Carry store in Düsseldorf sells around 300 kilos of potatoes from Gut Diepensiepen every day. They will stay fresh for several weeks even in a restaurant kitchen or at home, provided they are kept in a dark, dry place at a maximum of 6 degrees.



CHRISTIAN
BENNINGHOVEN

WE EAT POTATOES EVERY DAY - SOMETIMES EVEN TWICE.



**The Benninghoven family
has been farming at
Gut Diepensiepen
for 9 generations.**

26

HOW

**DOES AN
IDEA BECOME
A PRODUCT
OF USE
TO AN
ENTIRE**



**INDUSTRY
?**



Peter Praeder and Marc Stratmann have been business partners since 2014. They both bring with them experience from the food service industry.

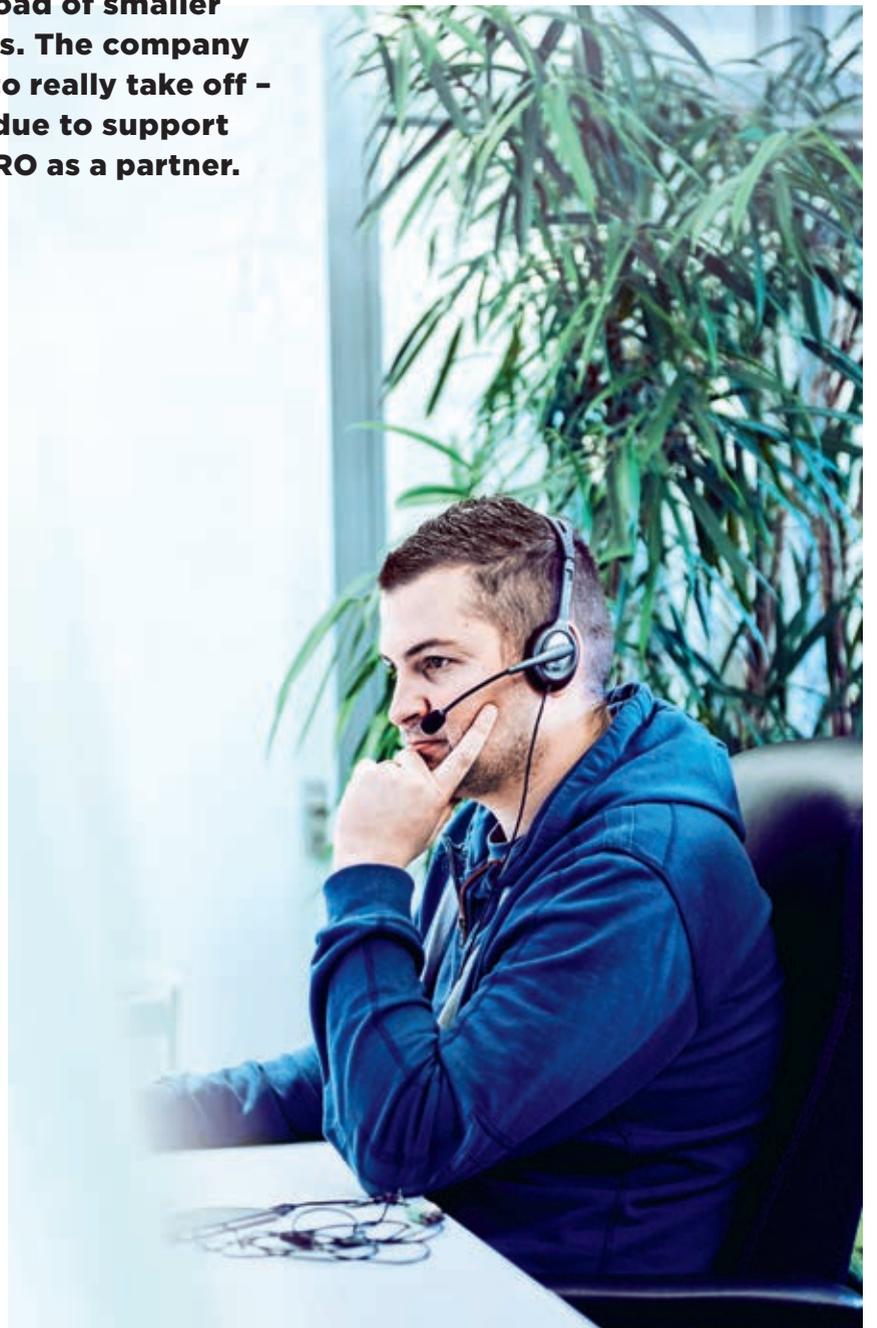
D

Drawing up shift schedules, recording work times, securely managing personnel data and doing the payroll – these aren't tasks one takes great delight in doing. But in the food service industry, as in other businesses, they are a must. Frag Paul, a Cologne start-up, has developed a software programme that appreciably lightens the workload of smaller businesses. The company is poised to really take off – not least due to support from METRO as a partner.

Frag Paul recently moved into a new office right in the centre of Cologne, in a side street in the pedestrian zone. 2 rooms with 8 desks plus a small conference room. The furnishings: white, simple, pragmatic. For the company's founders and executives, Marc Stratmann and Peter Praeder, it isn't about frills. What they are interested in is quality and the greatest possible client benefit. They want their clientele to be convinced by the product itself – a digital personnel assistant that makes life easier for restaurateurs. The software can save a business 20 to 30 work hours per month. And Stratmann and Praeder have a clear vision: Frag Paul aims to become number 1 in this area for small and medium-sized food service businesses.

WE QUESTIONED EVERYTHING: OUR PRICES, OUR TARGET GROUP, OUR MARKET PRESENCE.

MARC STRATMANN





Tim Wenz and other HoReCa Digital staff regularly stop by at Frag Paul to exchange ideas and discuss new sales approaches.



M

“My family has a restaurant in Southern Germany,” says Marc Stratmann. “I grew up with it and spent a lot of time there.” He initially helped in all areas of the business, then took over the family company’s personnel management – a time-consuming job in which a lot of paperwork still had to be done by hand. And that is precisely what Stratmann, now 28, called into question. “I thought, there has to be an easier way to do this,” he says. “So, step by step, I digitised the work process.” This was effectively the birth of Frag Paul.

The plan to turn the idea into a business came after Stratmann met Peter Praeder (27) during his business informatics studies in Cologne. The 2 founded a start-up in 2014 which first bore the name resment and didn’t exclusively



Frag Paul has a clear vision: to become number 1 for small and medium-sized food service businesses.

target the food service sector. “Personnel administration is 80% the same everywhere,” says Praeder, “so we were convinced that, for example, building contractors could profit from our services. But we quickly realised that the remaining 20% makes the difference – which calls for individual solutions.” That was too much for the 3-man operation to take on. The team therefore decided to devote itself fully to the food service market.

The METRO Accelerator for Hospitality powered by Techstars 2016 gave the project the decisive impetus: the start-up founders successfully applied to participate in the programme, and were then mentored and advised for 3 months by experts from various areas. It was an especially intense time. “We questioned everything: our prices, our target group, our market presence – in short, the whole concept,” Marc Stratmann recalls. “In the end, with a heavy heart, we had to let go of certain ideas. But it was worth it.” The Accelerator programme helped the company to further sharpen its profile and to set itself up more professionally. The current company and product name Frag Paul also originated in this period.

Frag Paul has in the meantime grown to a staff of 13. The company’s client base has also significantly increased – from 5 at the end of 2016 to a number in the middle triple digits as of autumn 2017 – and continues to grow.



A start-up in the digital area doesn't initially need much more than powerful IT, smart minds, stamina and an occasional energy boost.

The firm’s smooth development can be attributed to its strong founding idea, its extremely useful product, the sharpening of the company profile in the Accelerator and a strong partner: HoReCa Digital. This METRO business unit is specialised in the digitisation of the hospitality industry and undertakes targeted cooperation with promising start-ups.

“We were able to work eye to eye with them right from the start,” Marc Stratmann recounts. Little wonder. After all, each side profits from the other. The small start-up benefits from METRO’s close customer connections and market access, while the sector giant gains from the creativity and speed with which Frag Paul develops solutions.

And there is a third winner: the food service industry. Around the corner from Frag Paul, right in the pedestrian zone, Edi Viskovic has run a steakhouse for the last 21 years. The employer of a staff of about 20 is an enthusiastic new client of the Cologne start-up. “You notice straight away with Marc that he comes from the restaurant business himself,” he says. “I don’t have to explain to him how my restaurant works.” Until very recently, Viskovic invested a lot of time in personnel

**I THOUGHT,
THERE
HAS TO BE AN
EASIER WAY
TO DO THIS.**

MARC STRATMANN

management. Now his employees can enter their work hours, put in a request for holiday time and swap shifts, all using a touchscreen in the changing room. And at the touch of a button, Viskovic can gain the necessary overview: “I never thought it would all work so easily, and that I’d actually have more time for my guests,” says the restaurateur with a smile.



WWW.FRAG-PAUL.DE

HOSPITALITY.METROACCELERATOR.COM

30

**YOU WANT TO BE A PARTNER
TO THE MANY
INDEPENDENT BUSINESSES.**

**WHAT
DOES**

**THAT
MEAN**

EXACTLY?

ALEXANDRA GREENTREE

**Owner of Greentrees, a Düsseldorf café specialising in
vegetarian and vegan cuisine**

METRO identifies with entrepreneurs who, like us, put their heart and soul into their business. We want to support and guide them as a partner along their path to success. How do we do it? With great passion and a willingness to listen to the challenges they face. With customised, inspiring product ranges and innovative solutions and services that make their day-to-day work easier. Why do we do it? Because we are convinced THAT WE CAN ONLY GROW IF WE GROW TOGETHER.



I WOULDN'T WANT TO BE WITHOUT DIGITAL TOOLS IN MY BUSINESS NOW.

WHAT IS METRO

DOING

TO ENCOURAGE MORE RESTAURATEURS TO EMBRACE THEM?

LUDWIG HORN

Manager of the trendy A.Horn café and B.Horn restaurant in Berlin and a pioneer in the use of digital tools

A close-up portrait of Christian Baier, a man with short dark hair and glasses, wearing a light blue button-down shirt. He is looking directly at the camera with a slight smile. The background is a blurred office environment with circular ceiling lights.

The whole world is becoming increasingly networked in the way we communicate and work. Businesses are also relying on digital applications to make internal processes more efficient and to communicate with customers. But small food service businesses are not yet making much use of this opportunity. At METRO we want to break down people's initial barriers - by offering INNOVATIVE, EASY-TO-USE TOOLS that support businesses, for example, with processes including personnel planning and accounts.



**WHY
DOES METRO
PLACE
A HIGH
VALUE**

**ON LONG-TERM PARTNERSHIPS
WITH LOCAL FARMERS?**

UTE SANDER

**Owner of Sander Calenberger Landhof, a farm in Springe, near Hannover,
and a local supplier**

A portrait of Pieter C. Boone, a middle-aged man with light brown hair, wearing a dark blue suit jacket over a light blue button-down shirt. He is looking directly at the camera with a slight smile. The background is a blurred indoor setting with green plants and white architectural elements.

CLOSE, TRUSTING RELATIONSHIPS with our partners are the backbone of our business. This applies to our international suppliers and to the many small, local farmers we work with. For us it is very important to know a product's origins. That's why we strive to establish long-term business relationships. We see ourselves as a partner that supports the local economy and regional diversity, creating added value for everyone involved.

**THE NEW METRO
AIMS TO SET
THE STANDARDS
OF TOMORROW.**

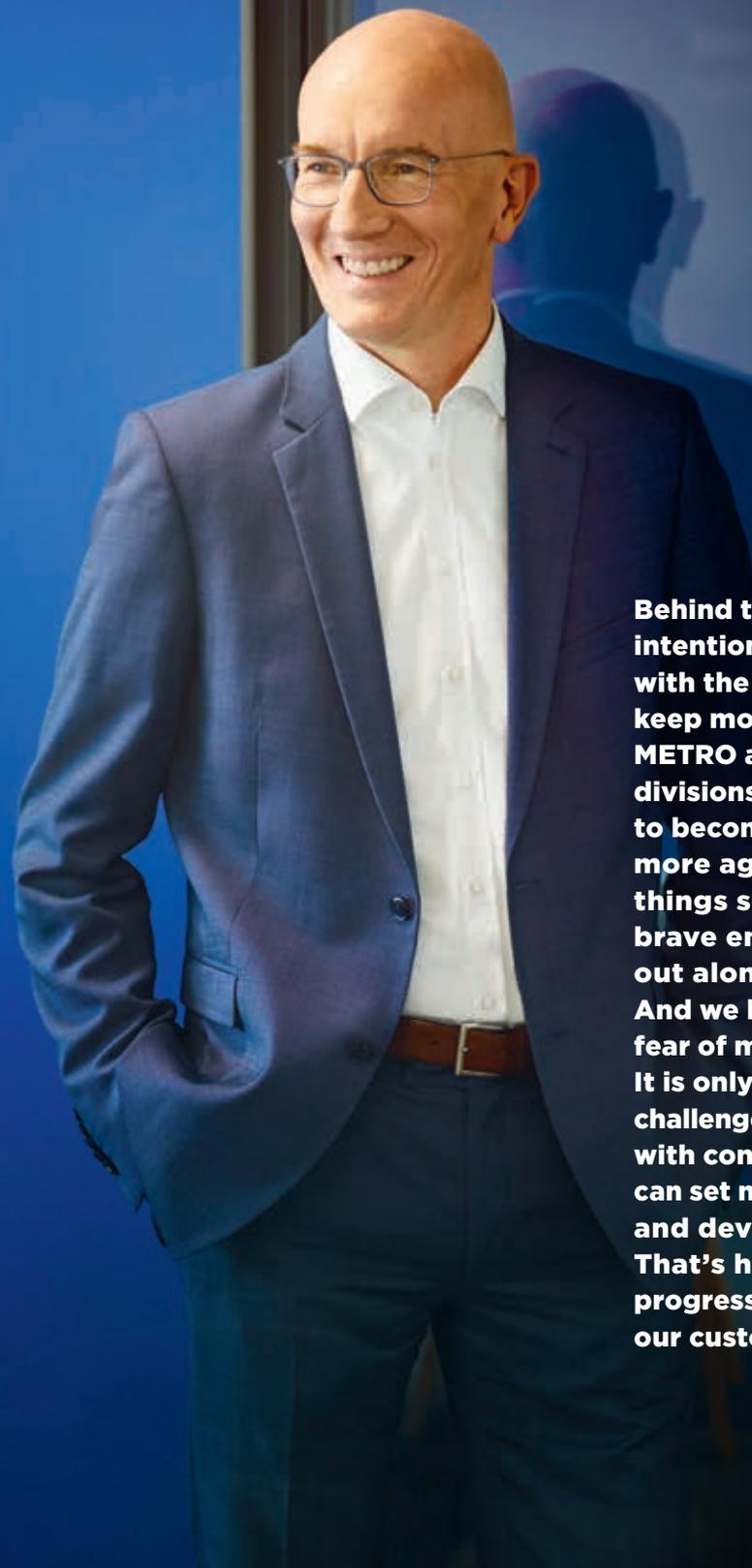
WHAT

**DOES THAT
MEAN**

FOR US?

TIMO SALZSIEDER

Chief Solution Officer / Chief Information Officer METRO AG



Behind that aim is a clear intention not to be satisfied with the status quo, but to keep moving forward. At METRO all of us - across all divisions and levels - need to become more open and more agile, to question things sooner and to be brave enough to strike out along NEW PATHS. And we have to lose our fear of making mistakes. It is only by tackling future challenges together and with confidence that we can set new ideas in motion and develop solutions. That's how we generate progress for ourselves and our customers.

WHERE

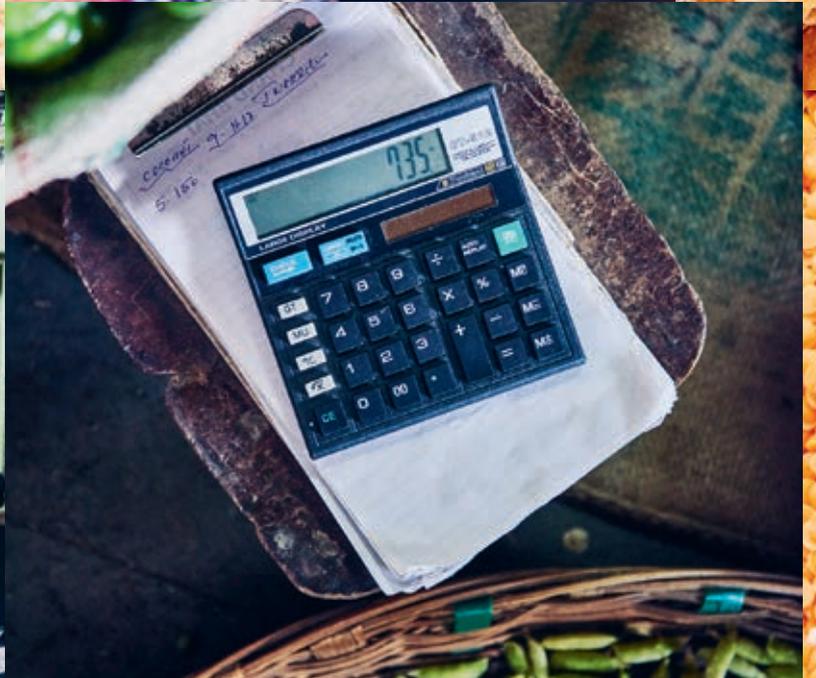


ARE THE GROWTH MARKETS

India is: colourful saris, grand palace complexes, holy cows and fiery spices. But India is also much more than this: it is an emerging economic power, a culture rich in tradition and a thriving cradle of the high-tech industry. The Indian economy is steadily growing, and increased by 7.1% in 2016/17. The main driver is the service sector. By contrast, agriculture is declining, although this is still where the majority of people are employed. To redress the imbalance between the cities and the countryside, the Indian government is investing in education and infrastructure and opening up the economy to foreign investors. For METRO, India is one of the most attractive markets of the future. Here are some impressions from a country that is becoming increasingly important.

OF THE FUTURE?





Almost every street corner has a kirana store. There are around 12 million of these small, owner-run corner stores. Many of them have been owned by the same family for generations. In the cities, the kirana stores are now facing increasing competition, including from online retail.



The family of Prakash V. has been running its kirana store for 20 years. It values METRO Cash & Carry India especially for the personal consultation it offers.



Prabhu M. consistently finds the best prices at METRO Cash & Carry India - because the company adjusts its prices to current market developments.

Kirana stores are one of METRO Cash & Carry India's core target groups, since they account for 95% of the Indian retail sector. As a reliable partner, the company supports the storekeepers in modernising and expanding their businesses. With competitive prices, a relevant product range, fast delivery, digital solutions, business seminars and various credit services, METRO Cash & Carry is helping to make the small stores more efficient and profitable - putting them in a position to survive alongside the big consumer outlets. More than 1.8 million family-run businesses in 14 Indian cities are currently customers of METRO Cash & Carry India.

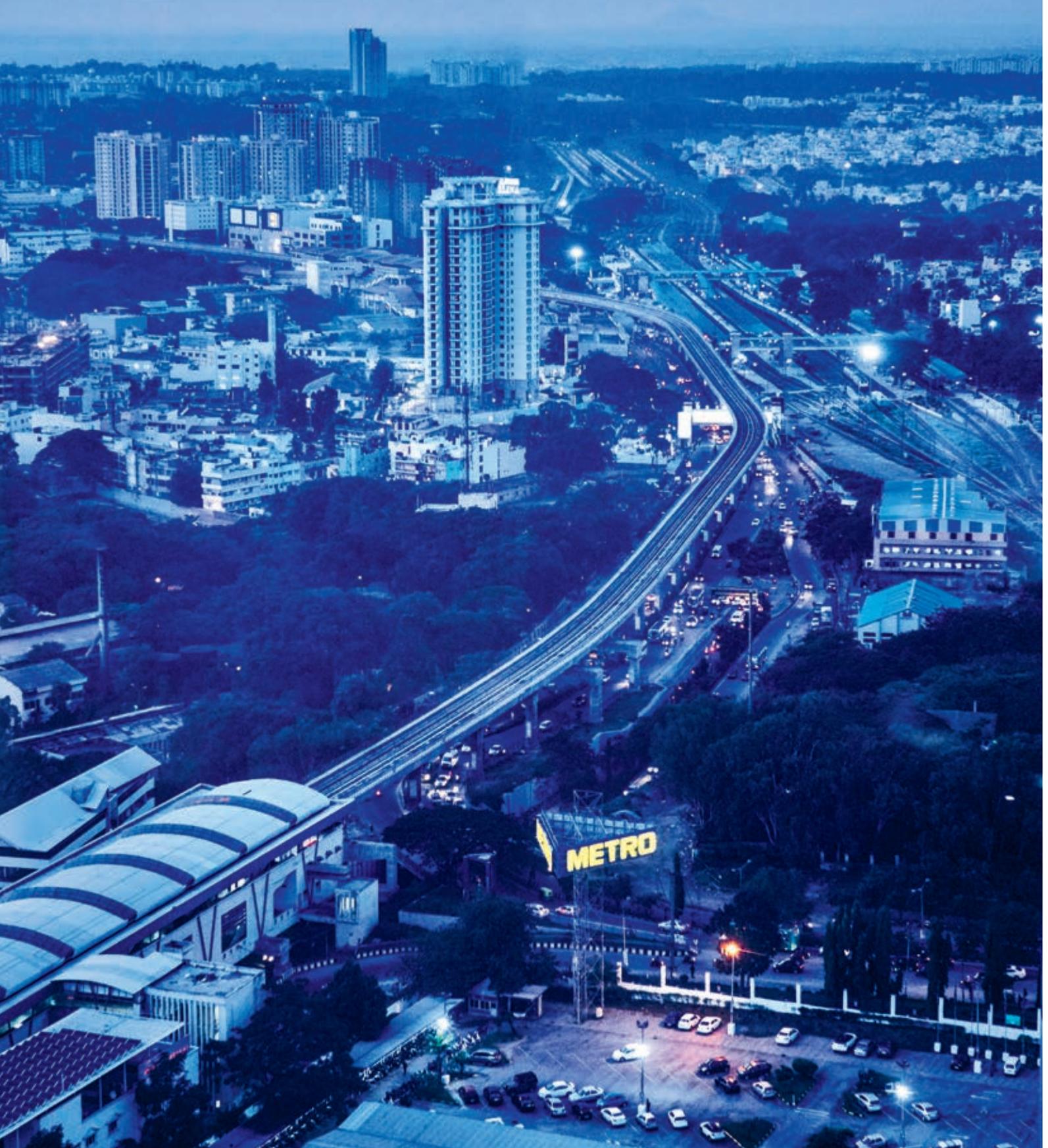


For Arun P., METRO Cash & Carry India is a reliable partner with a comprehensive product range - and free parking right in front of the store.





**THE SMILE
THAT YOU
RADIATE WILL
COME BACK
TO YOU.** INDIAN
PROVERB



1

Innovation culture

Freedom to make decisions, courage, a love of experimenting and an open, constructive way of dealing with mistakes all promote a spirit of innovation. METRO believes in this type of innovation culture in all corporate divisions.



2

Management focus

Good ideas need support to develop their full potential. For the METRO management team, that means making knowledge, funds and resources available - with no guarantee of success and no likelihood of making a quick profit. This requires courage and occasionally asks for staying power.



3

Networking

If you want to be innovative, you need new perspectives and fresh ideas from outside. METRO is in constant dialogue with its customers, partners and other companies and has even set up its own formats, including meet-ups and hackathons.



4

Institutionalisation

Innovations need a home - in every part of the business. That's why METRO doesn't have just 1 department or service company dealing with innovation. Responsibility is shared by many teams, including HoReCa Digital, the innovation powerhouse for customers in the hotel, restaurant and catering sector.



5

Customer centricity

Innovations are only worthwhile if they take customer wishes and needs into account. That's why developments at METRO incorporate customer knowledge, market research findings and trend analyses.



6

Support programmes

Supporting other people's good ideas and harnessing them for our business is a classic win-win situation. METRO Accelerator supports start-ups that are working on digital solutions for the food service and retail industry.



7

Start-up partnerships

Financial support and established distribution channels help to bring innovations to market quickly. METRO makes a point of investing in young companies and gives them access to successful sales channels.



8

Academic partners

METRO works with prestigious academic institutions, like Ecole hôtelière de Lausanne, to drive research. In Lausanne, the METRO Chair of Innovation focuses on digitisation in the HoReCa sector.



WHAT ARE THE INGREDIENTS OF INNOVATION?

Global megatrends like digitisation, social transformation, urbanisation and sustainability present complex challenges to a retail company like METRO. Products, services and entire business models have to be rethought and adapted to customers' changing requirements and expectations. How do we do it? With a corporate culture that encourages innovation, clear responsibilities, a close-knit network and external partners.





WHO IS RE- SPONSIBLE FOR ENSURING

Anne Hildebrand (METRO AG) and Raphael Fellmer (SirPlus) are both pursuing the same aim: they want to significantly reduce food waste and make rescuing surplus food socially acceptable.

THAT GOOD FOOD DOESN'T END UP IN THE BIN?

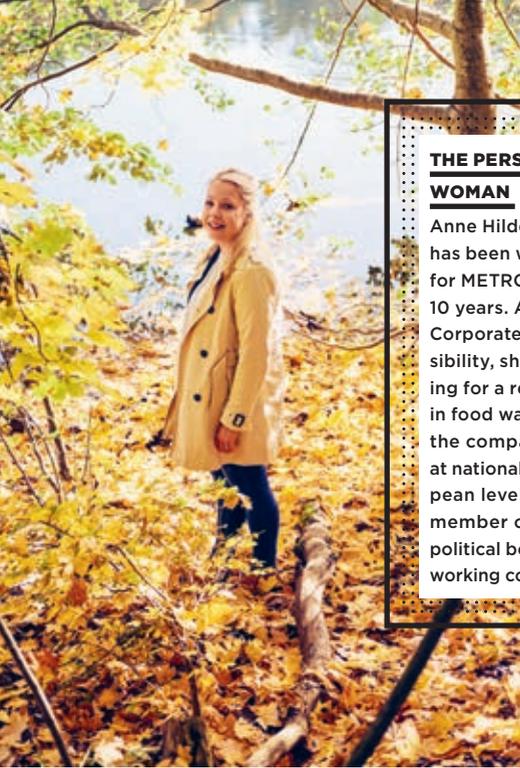
VIDEO:  WWW.METROAG.DE/MORE/FOODWASTE

A

A third of the world's food ends up in the bin. In Germany alone, the agricultural, manufacturing, retail and food service sectors as well as private households throw out around 18 million tonnes of food each year. Some is thrown away because of overproduction, some because it does not meet the required standard shape, some because it has passed its best-before date or because the portion size was bigger than the diner's appetite.

In most cases, food that is thrown out is still edible. The biggest food wasters are consumers. Germans throw away 82 kilograms of food on average per person each year, according to a study from the University of Stuttgart. That's enough to fill 2 shopping trolleys.

So why does this happen? And what can be done about it? Raphael Fellmer, a food rescuer and co-founder of SirPlus, and Anne Hildebrand, Head of Corporate Responsibility at METRO AG, discussed the issue on an autumn walk by the Krumme Lanke lake in Berlin.



THE PERSEVERING WOMAN

Anne Hildebrand has been working for METRO for 10 years. As Head of Corporate Responsibility, she is pushing for a reduction in food waste within the company and at national and European level – as a member of various political bodies and working committees.

M

Mr Fellmer, Ms Hildebrand, why do we throw food away?

RF Food waste starts with the producers and ends with ourselves, the consumers. Lots of people have forgotten how to value food. We want to buy our favourite bread just before the shop closes and have the perfect snack at home for whatever mood we're in. If, when we're rummaging in the fridge, we discover that an unopened yogurt has passed its best-before date, a third of Germans will throw it away.

AH The issue of valuing food really is very important. Lots of people don't know how many resources go into producing food. And many no longer trust themselves to assess whether that yogurt is still okay to eat. We rely entirely on best-before dates. Yet most foods are edible past that date.

What can industry and society do about this?

AH We have to change attitudes to food – including in the food service industry. Many restaurants and snack bars are still throwing

away too much food. METRO offers training courses in a number of locations. In addition, lots of food is left on plates in restaurants. A large number of METRO countries have started using the re-invented doggy bag, which makes it socially acceptable to take leftovers home.

RF Yes, exactly. Food rescuing has to become cool. Leftovers are not second-class food! This message needs to reach the heart of society, which is why we at SirPlus are making food rescuing mainstream. We have to start with the children and keep on calling on people to change their behaviour.

What else is METRO doing?

AH It may sound obvious, but as a retail company, we want to sell food, not throw it away. That's why we are constantly improving our processes. Our aim is to reduce food waste in our business by 50% by 2025.

RF That's a very ambitious aim. I'm pleased that METRO is setting a good example. As a cooperation partner, we are happy to help achieve this aim by taking surplus that is not given to the Tafel food banks, and putting it back into circulation in a responsible manner.

AH That's an important point. We give around half of our surplus food to the Tafel food banks. But they can't take everything. They

are subject to the same regulations that we have to comply with as retailers. If products are past their best-before date, we are liable. SirPlus had the idea – and the courage necessary – to jump into this gap. Because that's a way of further reducing food waste.

What makes SirPlus different?

RF We want to make food rescuing a mainstream activity and break through the stigma that out-of-date or surplus food is bad. That's why we offer these products at SirPlus. We are ready to take on the product liability risk. Of course, we point out that the goods are past their best-before dates. And we regularly run sample tests to check that the food really is still okay.

What are your own food habits?

RF In 2009 I was galvanised by a film about people who recover edible food from bins. Since then, I've got involved, and I am very conscious about how I eat. We cook vegan meals at home and use a lot of surplus food. It gives us a good feeling when you know you've saved good food from going to waste.

AH My fridge always used to be full – because I was afraid there would be nothing there at the weekend. Now I shop differently. I don't throw food away any more.



THE PIONEERING MAN

Raphael Fellmer has been rescuing food since 2009. He travelled around the world with no money, lived without money for 5 years, started the foodsharing.de initiative and founded SirPlus with 2 friends in 2017. The Berlin-based start-up sells surplus food at low prices in a high-street shop and online. It sources its products from agricultural and retail partners.



WWW.SIRPLUS.DE

WE NEED TO VALUE FOOD AGAIN.

RAPHAEL FELLMER



More information on the topic can be found in our publication Corporate Responsibility 2016/17 Compact:

 WWW.METROAG.DE/CR-COMPACT-2016-17

ANNE HILDEBRAND **AS A RETAIL COMPANY, WE WANT TO SELL FOOD, NOT THROW IT AWAY.**



In Germany
there are around
11,100
hotels,
73,400
restaurants and
13,300
catering
companies.



All of them could
benefit from the
innovative solu-
tions developed
and marketed by
HoReCa Digital.

HOW CAN WE SECURE THE FUTURE OF GOOD SERVICE?

M

Most of the people who run restaurants and hotels are driven by passion – they have a burning desire to provide good service and good food, and they love the contact with their guests. But their day-to-day working lives often look a bit different from what they expected. Administrative tasks take up a lot of time. And, in today's digital age, an attractive online presence is a must. Switching to more efficient digital processes and applications – including in the areas of accounts and personnel planning – could take pressure off many businesses. Yet not everyone in the industry has embraced digital technology. This is why METRO is helping hotels, restaurants and catering companies (HoReCa) to make better use of the opportunities available.

HoReCa Digital offers various products – in part in cooperation with partners – that lighten the administrative burden of, especially, small businesses. 3 examples:

1 Gastrocockpit:

management software for continuously recording and analysing all key business indicators

2 Free website:

a kit for designing websites for the food service industry quickly and easily

3 Frag Paul:

a digital personnel assistant for HR management, time tracking, payroll accounting, shift and holiday planning – developed by Frag Paul, a start-up that successfully participated in the METRO Accelerator 2016 programme



METRO's activities in this area are grouped into a business unit called HoReCa Digital. The international, agile HoReCa Digital team consists of product developers, project managers, IT professionals, investment experts and sales specialists, who work together on suitable solutions – independently of METRO's core business and often in partnership with start-ups. To ensure that solutions reach their target groups faster, HoReCa Digital invests as a partner in promising young companies. Start-ups that are still in the early development phase receive advice and assistance from HoReCa Digital through the METRO Accelerator powered by Techstars programme.

The products and services developed and supported by HoReCa Digital are many and varied, but the aim is always the same: to give the HoReCa sector more time to focus on its core business.



Doing a quick shop for the weekend after work? Spending hours on a Saturday looking for a new washing machine with the kids? There often isn't enough time in our busy day-to-day lives. This

is why more and more consumers in Germany are shopping online. Real is well placed to benefit from this growth: The online marketplace real.de has countless non-food items to choose from. Since summer

2017, Real has also been offering a click-and-collect service for food items in some areas. Customers can order and pay via computer, tablet or smartphone and pick up their shopping from their nearest store at a time

to suit them. Selected stores also offer a food delivery service and there are plans for more. This means Real customers have a choice: they can do their shopping in-store, or they can order everything online.

WHY DOES FOOD NEED TO BE AVAILABLE ONLINE?

SIMPLE AND CONVENIENT



What with taking the little one to nursery, helping the older one with his homework, cleaning and cooking, taking the children to sports clubs after school and buying food for dinner: during the week, there isn't much time for other important tasks. So why not order that new washing machine online? All it takes is a few clicks in the evening, after the children are in bed. And then the weekend is free for family outings, games and fun.

Uni assignments are piling up and there are 2 family birthdays coming up. When are you going to find the time to buy presents? You want to get a pepper mill for Mum and a toy fire engine for your nephew. Thank goodness for real.de. A short search later and you've filled your basket and placed your order, leaving your head free for that assignment.



**CONTEMPORARY
AND
DYNAMIC**

**FAST
AND
FLEXIBLE**



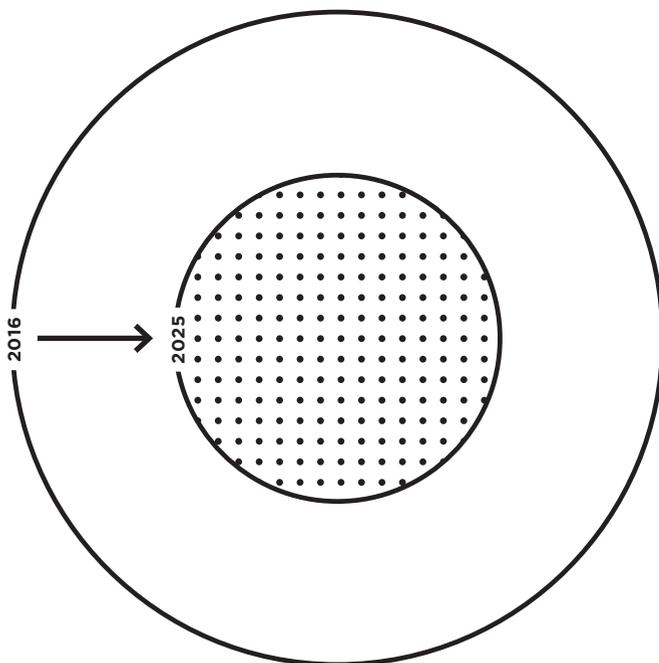
Thursday 6 p.m. The meeting at work is running late again. You have to finish a presentation for tomorrow and your in-laws are coming at the weekend. So will you have to spend your Friday evening shopping instead of going to the gym? Thanks to the real.de app you can quickly order all the food you need - on the move, from your smartphone or tablet.

HOW MANY LOCATIONS ARE THERE AROUND THE WORLD?

METRO operates in 35 countries and at 1,041 locations in Western and Eastern Europe and Asia. There are wholesale stores in 25 countries, whereas in the remaining 10 countries only delivery services are offered. In Germany, METRO is also active in the food retail sector, with 282 Real stores.

HOW SUSTAINABLE IS METRO?

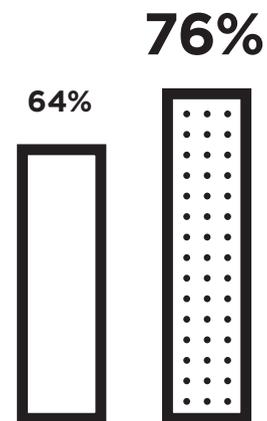
-50%



As part of the Consumer Goods Forum's Resolution on Food Waste, METRO has committed to reducing the food waste arising in connection with its own business operations by 50% by 2025. The figure from 2016 serves as the baseline.

WHAT MAKES METRO SUCCESSFUL?

METRO Wholesale's delivery business, for example, where sales rose by more than 25% to more than €4.6 billion in financial year 2016/17. This means its share of METRO Wholesale's total sales for the entire year amounts to 15.6%.



HOW ENGAGED ARE STAFF?

METRO employees identify particularly strongly with the company. This is borne out by our high staff engagement figure of 76%, which is considerably higher than the industry average of 64% (Aon Hewitt's Global Retail Benchmark).

WHO BENEFITS FROM THE COMPANY'S GOODS AND SERVICES?

More than

21

million commercial customers around the world place their trust in METRO - primarily hotels, restaurants, catering firms and independent retailers, as well as service providers and public authorities.

**WHAT
ELSE IS
THERE
TO
KNOW**



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This report is the condensed version of
the Annual Report 2016/17.
You will find the full version at

 WWW.METROAG.DE/MORE/REPORTS

LETTER TO THE SHAREHOLDERS

Dear Ladies and Gentlemen,

Financial year 2016/17 was among the most eventful and strategically important years in the history of METRO. With the initial public offering (IPO) of shares in the new METRO AG, we created the foundation to deliver even more focus, innovation and growth. In a dynamic market environment where habits, needs and demands are changing at an increasingly rapid pace, agility and speed are emerging as the most important factors for success. The new group structure will provide us with considerable advantages in this regard.

At the end of March 2016, the Management Board of the former METRO GROUP informed the shareholders that the merits of demerging the group and spinning off the wholesale and retail business should be investigated. This announcement was followed by an intensive preparation time and the organisational separation by 30 September 2016. At the Annual General Meeting held in February 2017, an overwhelming majority of 99.95% of shareholders voted in favour of the demerger. In July 2017, we were finally on target with our project: the demerger was recorded in the commercial register on 12 July 2017 and shares in the new METRO AG have been trading on the Stock Exchanges in Frankfurt and Luxembourg since 13 July 2017.

Many of you have already been issued with shares in the new company as a result of the demerger. Other shareholders purchased their holdings in our company after the initial public offering. We warmly welcome all of you as shareholders in our company!

After less than 2 months on the stock exchange, METRO already met the criteria for inclusion in the second most important German stock index. Shares in the new METRO AG were included in the MDAX on 18 September 2017. This helps us position ourselves on the capital market and appeal to a wider circle of investors, such as index funds that track the stock market index. In addition to the development of our share price, attractive dividends are an important aspect for many of our shareholders. At the first ordinary Annual General Meeting of the new METRO AG to be held in Düsseldorf on 16 February 2018, to which I cordially invite you, the Management Board and the Supervisory Board will propose payment of a dividend of €0.70 per share on the basis of our dividend policy. I would be delighted to welcome you at the meeting.

Even though the new METRO AG is still a young company, we will be able to report on the development of our company over a complete financial year and also offer a comparison with the previous year. The previous year's financial figures as of 30 September 2016 correspond to those reported in the combined financial statements of the former METRO Wholesale & Food Specialist Group.

We have had an eventful financial year. In our transformation process towards becoming a more customer-focused company, we have taken an important step to focus all our efforts on generating additional value for our customers.

With our METRO Wholesale and Real segments, we are a leading specialist in the wholesale and food retail trade. The METRO Wholesale segment includes our METRO Cash & Carry sales line with stores in 25 countries, but also the entire delivery business, which is making a significant contribution to growth. Real is focusing on the German market with its hypermarkets and will roll out the successfully trialled Food Lover concept, which combines emotional and rational customer needs, in additional stores, either to the full extent or via selected modules. Our digitisation initiatives allow us to promote the development of digital solutions for our hospitality and retail customers. Our goal is to elevate the food and hospitality sector to a whole new level. We understand that assisting our customers in becoming more successful will also deliver rewards for our company.

We will also not rest in our efforts to continuously optimise our business. From today's perspective, we do not expect any further major restructuring measures. The practice of adjusting our earnings for special items will not be used beyond the reporting year 2016/17. We will make changes to our reporting in the future; for that reason, all necessary measures from financial year 2017/18 onwards will be included in the reported earnings.

Directing our focus on the wholesale and food retail sector has greatly extended our company's flexibility and agility. This allows us to further sharpen our customer focus, accelerate growth, increase the implementation speed and ultimately improve our operational earning power.

METRO WHOLESAL

The core customers for our **METRO Cash & Carry** sales line are small and medium-sized companies. We have divided them into 3 customer groups: HoReCa, Trader and Service Companies and Offices. These customer groups vary regionally. In Eastern Europe, for example, food stalls and small traders – especially in countries such as Romania, Poland and Russia – still account for 40% of total food retail sales, compared to less than 10% in Germany. These regional differences are also reflected in our business: while small independent retailers are our main target group in Eastern Europe, we are concentrating our efforts in Southern and Western Europe on the many hotels and restaurants.

Clear trends are evident for the store-based business of METRO wholesale outlets. Assortments are increasingly geared to local needs, inspiration and knowledge transfer are becoming more important and the development of solutions for our customers, such as pre-packed goods or post-purchase delivery, is gaining in relevance. Our focus is on food products, but also on those non-food categories that allow us to provide meaningful support to our customers. The share of food in our total sales revenues will continue to rise as it has done over the past years, with our private label products playing a very important role. Our private label products are designed to provide our customers with unique added value at attractive prices. They also complement the business models of our customers in terms of their composition, processing or packaging.

Our **delivery business** is a great success story. We now deliver our products to customers far beyond the 25 countries in which we currently operate wholesale stores. The targeted acquisition of food service distribution specialists (FSD) – most recently Pro à Pro in February 2017 – has enabled us to extend this service to currently 35 countries worldwide. Of the approximately €30 billion worldwide sales revenues in the METRO Wholesale segment, the delivery business already accounts for more than €4.6 billion. Double-digit growth rates have been achieved by responding to the specific needs of our customers with great accuracy. We have also extended our range of products in line with the growing number of delivery customers. While purchases were initially delivered from our stores, we now also operate 87 hubs dedicated to our delivery business.

We have also expanded our franchise network to currently 5,087 partners. Our trader franchise programme supports retailers in Eastern Europe in planning and designing their stores as well as in implementation. The advice we give goes far beyond the composition of the assortment. We also assist our partners in all kinds of business-related issues and offer solutions for their daily business operations. We intend to employ our franchise solution to significantly increase our number of customers from the Trader segment, especially in Russia.



Our customers are passionate entrepreneurs. This is unmistakably expressed in their dedication and in the diversity and quality of their daily business activities. It is, however, a fact that most small and medium-sized businesses are still working without much technological support. This situation offers significant potential for our customers to improve their results considerably. Progressing **digitisation** has created cost-effective yet powerful solutions that can help independent entrepreneurs increase their sales and reduce their costs and administrative burden. Our HoReCa Digital business unit focuses exclusively on identifying which solutions we can use to make the greatest positive contribution to the success of our customers. Besides the many start-ups we have supported through METRO Accelerator powered by Techstars, we work with numerous other companies offering digital solutions to small and medium-sized businesses in the hospitality and food retail industries. In pilot projects in Berlin, Paris, Milan, Barcelona and Vienna, we have provided approximately 500 customers with digital solutions which support them in running their business. The results were positive and reaffirm our strategy to significantly expand our exposure to HoReCa Digital. Digital solutions will add to our customers' success and, at the same time, further increase the relevance of METRO for small and medium-sized enterprises. In addition, we offer innovators in digital fields a unique platform to reach a significant number of customers efficiently in a short time. We want to help both established companies and start-ups to reach the very fragmented markets of independent hospitality operators and retailers. We aim to make a noticeable contribution to significantly accelerating digitisation in our industry sector.

Our customers are part of a great community of independent entrepreneurs. We support this community in many different ways across numerous countries. Since 2016, we have also organised the Own Business Day. On this day, we celebrate the diversity, creativity and passion of independent entrepreneurs around the world. We organise various events that highlight our appreciation and respect for the outstanding performance of these entrepreneurs. We also provide them with a platform to make their businesses even more popular and attractive with unique offerings. 20,000 entrepreneurs participated in the first Own Business Day, with more than 100,000 in the following year. The use of digital tools plays a major role in this growth. The Own Business Day is made accessible worldwide via an app specifically developed for this purpose.

REAL

Turning to our **Real** sales line, we are proud to have made great progress in refining our market profile. Real is already the nation's retailer with the widest range of products. It offers outstanding quality. To further increase customer appeal, we need to reinforce the actual benefits by enhancing them with emotional aspects. A unique concept aiming in this direction is the new Markthalle Krefeld, which was implemented in November 2016. Customers who are excited about variety in particular are looking for inspiration and advice. This is exactly what we aim to provide with the new store concept: it combines an extensive food assortment and outstanding freshness with elements of themed food experiences, making the hypermarket an ideal place for connoisseurs. The concept has been well received by the customers. The customer foot-print has increased sustainably by 30%. Based on the experience we have gained, the expansion of the concept to other stores is already planned with our next location in Brunswick. We will also roll out individual modules of this concept across a larger number of stores. Our objective is to further increase the appeal for our customers as quickly and effectively as possible.

The online business of Real has also taken a big step forward. The Hitmeister shopping portal, which we acquired in 2016, was successfully integrated into the real.de website in February 2017. Consumers can now choose from a very large product range. The growth rates are enormous and we are excited about the encouraging results. Online sales grew by more than 50%. Real now also offers online shopping for food products. The orders are packed ready to go and can be picked up from one of the 9 Real stores currently offering this service. Alternatively home delivery, including fresh food, is available in many areas. Our plan is to set up a nationwide delivery service after conducting a trial in Düsseldorf.

METRO understands its role as a member of society who contributes to the creation of additional value. We have a moral obligation to balance our economic interests with both social demands and the requirements of our customers, employees, investors and business partners. That is why sustainability is an integral part of our actions and firmly anchored in our company and our sales lines. Coinciding with the publication of this report, we have released a Corporate Responsibility Progress Report. The sustainability management of the new METRO AG is already receiving accolades: the rating agency Oekom

Research has accepted us into the wholesale industry sector and made us the industry leader with a prime rating. We were named industry leader in the Indices Dow Jones Sustainability World and Europe for the third time in financial year 2016/17.

Financial year 2016/17 was a successful one across the entire METRO organisation. METRO increased like-for-like sales revenues by 0.5% in financial year 2016/17. At €37.1 billion, reported sales revenues were 1.6% higher than in the previous year. EBIT before special items amounted to €1,106 million.

How will financial year 2017/18 develop? Our sales lines have almost completed their transformation process. Future expenses for the remaining measures will no longer be reported as special items. For you, that means that starting in financial year 2017/18, we will only report a single earnings figure.

Analogous to our medium-term goals, we anticipate positive growth of our total revenue again in financial year 2017/18, assuming stable exchange rates and no portfolio adjustments. We aim for our growth rate to at least match the 1.1% growth achieved in financial year 2016/17. We expect the EBITDA excluding earnings contributions from real estate transactions to increase by at least 10% on the previous year's result (€1,436 million). Our goals include new stores as well as the continued expansion of the delivery business and the roll-out of our market hall concept in existing Real stores.

It is important to me to mention our more than 150,000 employees, for whom the transformation period and demerger were quite challenging. I would like to express, also on behalf of my colleagues, our deep gratitude to them for going the extra mile with us. We are well aware of the fact that our employees are the key to our success. This is why we regularly conduct surveys to measure staff engagement, which provides information about how well our employees identify with their company. The positive result attained in the past financial year reaffirms the path we have chosen, but also indicates areas with room for improvement, which we will work on.

Thank you for your interest, your loyalty and the continued trust you place in us. METRO AG has great plans for the future. My colleagues on the Management Board and I look forward to paving the way for the future together with our colleagues, our customers, our partners and you, our shareholders.

Yours faithfully,



Olaf Koch
CHAIRMAN OF THE
MANAGEMENT BOARD
OF METRO AG

STRATEGY

METRO

As a leading international specialist in the wholesale and food retail trade, METRO sees itself as a partner committed to its customers' success and satisfaction every day. To ensure that we remain relevant to our customers and successful in the long term, we have set ourselves the goal of taking the food retail and food service sector to a new level. We will take advantage of the unique opportunities arising from the digitisation of the entire industry sector.

METRO essentially consists of the METRO Wholesale and Real segments, which are responsible for our operations. The METRO Wholesale segment comprises the METRO/MAKRO Cash & Carry wholesale stores and the delivery business. It is primarily targeting business customers (B2B). The Real segment focuses on the retail industry in Germany and thus on end consumers (B2C). Real is one of the leading hypermarket companies in Germany. Additionally, the business unit HoReCa Digital, founded in 2015, consolidates the group's digitisation initiatives.

For us, sustainability does not stop at focusing on environmental and social issues. The notion of sustainability encompasses every single aspect of our actions and is a fixed item on the agenda of our corporate strategy.

Beyond that, more than 150,000 highly motivated employees worldwide also shape our company. They fill our open corporate culture with life and combine passion, a partnership approach and outstanding performance in our core business.

METRO WHOLESALE

In financial year 2016/17, our METRO Wholesale segment had more than 100,000 employees. As a multi-channel supplier, we combine a wide network of modern wholesale stores with extensive food service distribution (FSD). Our customers can choose between shopping in-store, having their purchases delivered or, in France, shopping online via click-and-collect services and picking up the goods at the market. Our wholesale

business is also characterised by a strong international presence: we are active in 35 countries in Western Europe, Eastern Europe and Asia. Under the METRO and MAKRO brands, we operate a total of 759 wholesale stores in 25 countries, whereas we only offer delivery services in the remaining 10 countries. The FSD area is reinforced by dedicated delivery specialists whom we acquired in recent years, including Classic Fine Foods, Pro à Pro and Rungis Express.

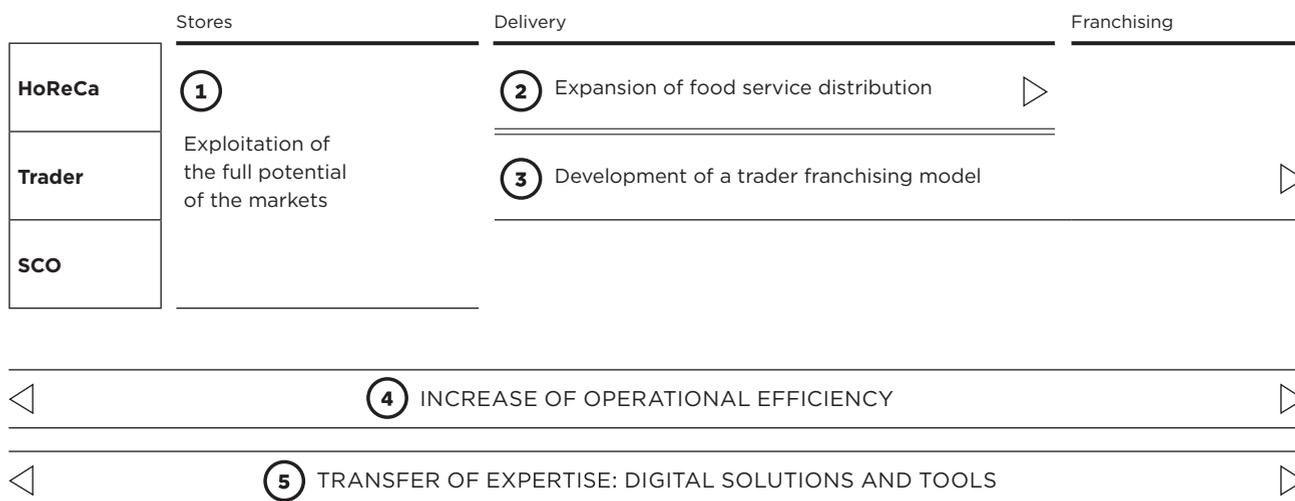
Focus on customer benefits

Our goal is to improve our customers' competitive advantage to make them more successful. Most of our wholesale customers are small and medium-sized companies and sole traders. We want to help them better master their business challenges by supplying long-term solutions with superior added economic value. We consistently align our business model with customer value and strengthen our local organisations to establish a closer relationship with our B2B customers.

We summarise our B2B customers in 3 groups: HoReCa, Trader and Service Companies and Offices (SCO). HoReCa includes hotels and hospitality businesses, restaurants, bars and cafés as well as catering companies and canteen operators. The Trader section includes small grocery stores, kiosks, street food retailers, petrol stations and wholesalers. SCO are professional service companies and organisations, such as offices and institutions.

Value leverage for the business

Based on our business model, our local companies develop and implement their individual Value Creation Plans that enable transformation and growth according to local conditions. The central organisation supports local value creation and actively manages the portfolio. Based on the country-specific and locally generated Value Creation Plans, we have identified 5 major strategic value enhancers for our wholesale business (see also wholesale strategy chart).

WHOLESALE STRATEGY**REAL**

With more than 34,000 employees and 282 stores, Real is one of Germany's leading hypermarket operators. Real stores offer a wide assortment that includes both food and several non-food product categories.

Real's declared goal is to sustainably increase its customer relevance in the coming years. That's why in financial year 2015/16, Real laid the foundation for a strategic realignment, which it systematically pursued and expanded in 2016/17. Real's overall strategy includes the expansion of promising sales channels, such as the online shop and click-and-collect services, but also the comprehensive optimisation of the existing store network.

Strategic priorities

— **Customer orientation:** Real designs its product range and services with a greater focus on the wishes and needs of its customers. This is accompanied by the modernisation and spatial transformation of hypermarkets to increase productivity per square metre. We also continue to implement our so-called Food Lover concept. This is a new hybrid-store concept that combines the focus on customers with the benefits of large areas and addresses the specific needs of today's and tomorrow's retail customers. As a grocery store operator, our vision is to provide a unique shopping experience at all customer touchpoints, that is, at all possible points of contact between customer and our company.

— **Selected investments:** Real is making selected investments to establish itself as a multichannel retailer, strengthen its ultra-fresh categories and further expand its procurement partnerships and joint ventures. In e-commerce, the Real.de website constitutes another step forward. In February 2017, we completed the integration of the previous Hitmeister online presence. Since then, the Real online marketplace has been offering customers a vast amount of items in 5,000 categories. External online retailers can also market their products there. In the e-food sector, Real has been testing the online food shop since April 2017. This also prepares the company for any potential increase in e-food demand.

— **Increase in cost efficiency:** We have streamlined our management structures, leveraged synergies within the group and restructured our core functions. In addition, we are restructuring our administration and consolidating functions within the group. In mid-2016, Real and the Verdi trade union agreed on a future collective agreement. The goal is to create structures that are competitive and offer good working conditions.

— **For more information, see the Annual Report 2016/17 at www.metroag.de/more/strategy.**

OVERVIEW OF FINANCIAL YEAR 2016/17

Earnings position

- Due to positive currency and portfolio effects, reported sales for financial year 2016/17 increased by 1.6% to €37.1 billion (in local currency: +1.1%)
- Like-for-like sales at METRO climbed by 0.5% in financial year 2016/17
- Reported EBIT amounts to €852 million (2015/16: €1,219 million)
- EBIT before special items: €1,106 million (2015/16: €1,106 million) on par with the previous year
- Profit for the period before special items: €583 million (2015/16: €495 million)
- Earnings per share before special items improved to €1.55 (2015/16: €1.33)

Financial and asset position

- Net debt increased by €0.1 billion to €3.1 billion (30/9/2016: €3.1 billion)
- Investments totalled €0.8 billion (2015/16: €1.0 billion)
- Cash flow from operating activities reached €1.0 billion (2015/16: €1.2 billion)
- Total assets amounted to €15.8 billion (30/9/2016: €16.0 billion)
- Equity: €3.2 billion (30/9/2016: €2.9 billion); equity ratio: 20.3% (30/9/2016: 18.3%)
- Long-term rating: BBB- (Standard & Poor's)

Sales and earnings development

Supported by positive currency effects and the acquisition of Pro à Pro, METRO's reported **sales** for financial year 2016/17 increased by 1.6% to €37.1 billion. Sales rose by 1.1% in local currency. Like-for-like sales at METRO climbed by 0.5%. METRO Wholesale underwent particularly positive developments, while the sales of Real decreased after a difficult first half of the year.

At €12.0 billion, reported sales in **Germany** were 2.6% lower than in the previous year. Like-for-like sales decreased by 1.7%. Following a difficult first half of the year during which sales at METRO Wholesale and Real declined considerably, the trend improved significantly during the second half of the year.

The reported sales in the **international business** increased by 3.7% to €25.2 billion. This is especially due to the opening of new stores and the acquisition of Pro à Pro. Currency effects also played a part. International sales rose by 3.0% in local currency. Like-for-like sales increased by 1.6%. The international share of total sales stood at 67.8% (2015/16: 66.4%).

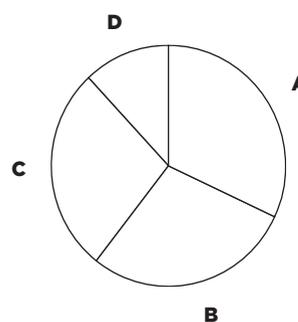
The reported sales in **Western Europe (excl. Germany)** increased by 3.6% to €10.5 billion. This is especially due to the acquisition of Pro à Pro. Like-for-like sales decreased slightly by 0.3%.

The reported sales in **Eastern Europe** increased by 4.5% to €10.3 billion. Especially positive currency effects in Russia influenced this development. Particularly positive sales trends were recorded in Turkey. Sales rose by 1.8% in local currency. Like-for-like sales increased by 2.3%.

The reported sales in **Asia** increased by 2.3%. All countries contributed to this positive development. Sales rose by as much as 4.2% in local currency. Like-for-like sales climbed by 4.7%.

GROUP SALES OF METRO 2016/17

by regions



A	32.2%	Germany
B	28.4%	Western Europe (excl. Germany)
C	27.6%	Eastern Europe
D	11.8%	Asia

SALES DEVELOPMENT OF METRO**by segments and regions**

	2015/16 € million	2016/17 € million	Change in % compared with the previous year's period			
			in group currency (€)	Currency effects in percentage points ¹	in local currency	like-for-like sales in local currency
METRO Wholesale	29,000	29,866	3.0	0.7	2.3	0.9
Real	7,478	7,247	-3.1	0.0	-3.1	-1.0
Others	72	27	-62.4	-0.3	-62.1	-
METRO	36,549	37,140	1.6	0.5	1.1	0.5
thereof Germany	12,279	11,962	-2.6	0.0	-2.6	-1.7
thereof international	24,270	25,177	3.7	0.8	3.0	1.6
Western Europe (excl. Germany)	10,173	10,543	3.6	0.0	3.6	-0.3
Eastern Europe	9,828	10,266	4.5	2.7	1.8	2.3
Asia	4,269	4,368	2.3	-1.9	4.2	4.7

¹ The currency effect is calculated by comparing reported sales of the current financial year in euros with sales of the previous period, converted at the average exchange rate of the current financial year.

**DEVELOPMENT OF GROUP EBIT
AND EBIT OF THE SEGMENTS**

€ million	EBIT ¹	
	2015/16	2016/17
METRO Wholesale	1,048	1,114
Real	105	80
Others	-43	-86
Consolidation	-5	-1
METRO	1,106	1,106

¹ Before special items.

The **EBIT before special items** amounted to €1,106 million, reaching the level of the previous year (2015/16: €1,106 million). This figure contains income from the sale of real estate amounting to €175 million (2015/16: €153 million). In 2016/17, the EBIT included 3 material real estate transactions, 2 of which in China (contributing approximately €110 million to the result) and 1 in Germany (approx. €40 million). Adjusted for positive currency effects of €37 million, EBIT before special items was €37 million lower than in the previous year.

Reported **group EBIT** totalled €852 million in financial year 2016/17 (2015/16: €1,219 million). This decrease was due in particular to income from the sale of the activities in Vietnam during the previous year (€446 million). Adjusted for the one-time income gained from the Vietnamese sale in the previous year, the special items are below the previous year's level due to fewer restructuring activities.

Net financial result and taxes

€ million	2015/16	2016/17
Earnings before interest and taxes EBIT	1,219	852
Earnings share of non-operating companies recognised at equity	3	0
Other investment result	-3	-11
Interest income/expenses (interest result)	-211	-156
Other financial result	-114	-37
Financial result	-325	-204
Earnings before taxes EBT	894	649
Income taxes	-375	-304
Profit or loss for the period	519	345

Financial result

The net financial result primarily comprises the interest result of €-156 million (2015/16: €-211 million) and the other financial result of €-37 million (2015/16: €-114 million). The interest result improved thanks, in particular, to the lower level of interest. The €77 million improvement in the other financial result is mainly due to negative effects from the deconsolidation of METRO Cash & Carry Vietnam in the previous year and lower negative negative currency effects in the reporting period, primarily from Kazakhstan. In the decreased other investment result, the change mainly reflects the amortisation of the shares in real,- Digital Payment & Technology Services GmbH.

Taxes

The reported income tax expenses of €304 million (2015/16: €375 million) are €71 million lower than in the previous year and essentially concern deferred taxes.

The group tax rate in the reporting period amounted to 46.9% (2015/16: 42.0%). The comparatively low tax rate of the previous year is mainly due to the sale of METRO Cash & Carry Vietnam. Before special items, the tax rate amounted to 34.9% (2015/16: 38.7%). Adjusted for deferred tax income from the reversal of deferred tax liabilities in connection with the reallocation of goodwill, the tax rate before special items in the reporting period was 39.8%. The group tax rate represents the relationship between recognised income tax expenses and earnings before taxes.

Profit or loss for the period and earnings per share

Profit for the period in financial year 2016/17 totalled €345 million, a decline of €174 million compared with the previous year's figure (2015/16: €519 million).

Net of non-controlling interests, profit for the period attributable to the shareholders of METRO AG totalled €325 million (2015/16: €506 million). This corresponds to a decline of €181 million.

In financial year 2016/17, METRO recorded earnings per share of €0.89 (2015/16: €1.39). The calculation was based on a weighted number of 363,097,253 shares. Profit for the period attributable to the shareholders of METRO AG of €325 million was distributed according to this number of shares. There was no dilution from so-called potential shares in financial year 2016/17 or in the previous year.

At €1.55, earnings per share before special items are €0.22 higher than in the previous year (2015/16: €1.33). This result forms the basis for the dividend recommendation.

		2015/16	2016/17	Change	
				absolute	%
Profit or loss for the period	€ million	519	345	-174	-33.5
Profit or loss for the period attributable to non-controlling interests	€ million	13	20	7	53.9
Profit or loss for the period attributable to the shareholders of METRO AG	€ million	506	325	-181	-35.8
Earnings per share (basic = diluted) ¹	€	1.39 ²	0.89	-0.50	-36.0
Earnings per share before special items ¹	€	1.33 ²	1.55	0.22	16.5

¹ After non-controlling interests.

² Pro forma disclosure of combined financial statements.

Liquidity (cash flow statement)

METRO's liquidity is derived on the basis of the cash flow statement. The cash flow statement serves to calculate and display the cash flows that METRO generated or employed during the financial year from operating, investing and financing activities. In addition, it shows the changes in cash and cash equivalents between the beginning and end of the financial year.

Cash inflow from operating activities in financial year 2016/17 amounted to €1,027 million (2015/16: €+1,173 million). Investing activities led to cash outflow of €601 million (2015/16: €+512 million). Compared with the previous year's period, this represents a decrease in cash flow before financing activities of €1,259 million to €426 million. Cash outflow from financing activities totalled €438 million (2015/16: €-3,513 million).

— For more information, see the Annual Report 2016/17 at www.metroag.de/more/earnings-position.

METRO SHARE

Shares in the new METRO AG made their trading debut on the Frankfurt and Luxembourg Stock Exchanges on 13 July 2017. Ordinary shares in METRO carry the International Securities Identification Number (ISIN) DE000BFB0019 and the German Securities Identification Number (WKN) BFB001. The METRO ticker symbol is B4B. 46.76% of shares in METRO AG are free-floating.

The first trading day on 13 July 2017 saw the METRO share price closing at €18.05 in the Frankfurt Xetra trading, with the trading volume amounting to around 8.5 million shares.

The share price continued to fluctuate until the end of the financial year and was also influenced by macroeconomic developments and industry sector-specific news. In September, the closing price of ordinary shares in METRO was €17.89. Preference shares ended the financial year at a price of €16.75.

The market capitalisation of METRO AG was €6.5 billion at the end of September 2017. In the time between the initial stock exchange listing and the end of the financial year, a typical trading day at the Frankfurt Stock Exchange saw an average volume of 1.4 million of METRO's ordinary shares traded. Around 4,500 of the significantly less liquid preference shares were exchanged on each trading day.

On the first day of trading, 13 July 2017, shares in the new METRO AG were included in the MDAX under the name METRO Wholesale & Food Specialist AG for a single day. This was due to the demerger of the former METRO GROUP and the fact that the German Stock Exchange index rules stipulate inclusion in the index for both the old company as well as the demerged company for one day. METRO AG as the demerged company was removed from the index after that one day and may requalify for inclusion at a later time. The MDAX comprises the 50 largest German corporations with the highest trading volumes below the DAX 30. The composition is based on fixed inclusion criteria. In

addition to being listed in the so-called Prime Standard and a free-float of more than 10%, inclusion in the index depends on the free-float market capitalisation and the stock exchange turnover. Because the new METRO already met the inclusion criteria at the time of the major review conducted in early September, the METRO share has been included in the MDAX since 18 September 2017. The free-float market capitalisation of METRO AG was €2.9 billion at the end of the financial year. METRO is therefore ranked no. 23 in the MDAX. METRO was ranked no. 13 in the MDAX in terms of stock exchange turnover.

The policies of the global MSCI indices take a different approach. Owing to the fact that the former METRO Wholesale & Food Specialist AG was, based on its market capitalisation, the greater entity resulting from the demerger of the former METRO GROUP, the old METRO AG was replaced by METRO Wholesale & Food Specialist AG and was thus included in the MSCI indices from the first trading day.

The METRO share is also included in the relevant industry sector indices EURO STOXX Retail and STOXX 600 Retail.

18 analysts from respected domestic and international banks have started tracking and evaluating METRO AG shortly after trading in the company's shares commenced. METRO AG publishes their recommendations and target share prices in the Investor Relations section at www.metroag.de/en/investors. At the end of financial year 2016/17, 61% of analysts issued "buy" recommendations for the METRO share, while 39% ranked them as "hold". Not a single analyst made a "sell" recommendation. The median value of share price targets was €20.20 at the end of September 2017.

— For more information, see the Annual Report 2016/17 at www.metroag.de/more/share.

METRO SHARE

			2016/17
Closing price	Ordinary shares	€	17.89
	Preference shares	€	16.75
High	Ordinary shares	€	18.45
	Preference shares	€	18.50
Low	Ordinary shares	€	16.34
	Preference shares	€	16.30
Dividends	Ordinary shares	€	0.70¹
	Preference shares	€	0.70¹
Dividend yield based on closing price	Ordinary shares	%	3.9¹
	Preference shares	%	4.2¹
Market capitalisation (billion)		€	6.5

¹ Subject to the resolution of the Annual General Meeting.

Data based on Xetra closing prices
Source: Bloomberg

INFORMATION ABOUT THE METRO SHARES

	Ordinary shares	Preference shares
Stock market symbol	B4B GR	B4B3
German Securities Identification Number	BFB001	BFB002
ISIN code	DE000BFB0019	DE000BFB0027
Reuters code	B4B.DE	B4B3_p.DE
Bloomberg code	B4BGR	B4B3GR
Number of shares	360,121,736	2,975,517
Stock market segment	Prime Standard	Prime Standard
Stock exchange	Frankfurt, Luxembourg	Frankfurt, Luxembourg

GROUP BUSINESS MODEL

METRO is a leading international specialist company in the wholesale and food retail sector. The ultimate parent company is METRO AG, which acts as the central management holding company. It performs group management functions, particularly in the areas of finance, controlling, legal and compliance. The central management and administrative functions of METRO Cash & Carry are all anchored within METRO AG.

The group essentially consists of the 2 segments METRO Wholesale and Real. The wholesale company METRO Cash & Carry operates 759 wholesale stores across 25 countries. The delivery business (food service distribution) is also part of this segment, with companies like METRO Delivery Service and the delivery specialists Classic Fine Foods, Pro à Pro and

Rungis Express. Real operates 282 hypermarkets across Germany.

Additionally, the business unit HoReCa Digital, founded in 2015, consolidates the group's digitisation initiatives, such as METRO Accelerator powered by Techstars. This initiative sponsors 2 programmes that last for 3 months and are aimed at supporting start-ups developing digitisation solutions in the area of hospitality and retail.

Other service companies include METRO PROPERTIES, METRO LOGISTICS, METRO SYSTEMS, METRO ADVERTISING and METRO SOURCING. These companies provide group-wide comprehensive services in the areas of real estate, logistics, information technology, advertising and procurement to all group companies.

OVERVIEW OF METRO



STORE NETWORK BY COUNTRIES AND SEGMENTS

as of the closing date of 30/9

	METRO Wholesale ¹		Real		METRO	
	2016	2017	2016	2017	2016	2017
Germany	106	104	285	282	391	386
Belgium	16	16			16	16
France	94	97			94	97
Italy	49	50			49	50
Netherlands	17	17			17	17
Austria	12	12			12	12
Portugal	10	10			10	10
Spain	37	37			37	37
Western Europe (excl. Germany)	235	239			235	239
Bulgaria	11	11			11	11
Kazakhstan	6	6			6	6
Croatia	9	9			9	9
Moldova	3	3			3	3
Poland	30	30			30	30
Romania	30	30			34 ²	30
Russia	89	89			89	89
Serbia	10	9			10	9
Slovakia	6	6			6	6
Czech Republic	13	13			13	13
Turkey	32	33			32	33
Ukraine	32	31			32	31
Hungary	13	13			13	13
Eastern Europe	284	283			288²	283
China	86	90			86	90
India	23	24			23	24
Japan	9	10			9	10
Pakistan	9	9			9	9
Asia	127	133			127	133
International	646	655			650²	655
METRO	752	759	285	282	1,041²	1,041

¹ The locations and countries of Classic Fine Foods and the locations of Pro à Pro and Rungis Express are not shown in the table since they relate to distribution centres and warehouses, whereas this table only covers sales locations.

² Including 4 stores in "Others".

METRO WHOLESAL

The METRO Wholesale segment comprises both the stationary business (METRO Cash & Carry) and the delivery business (food service distribution).

METRO Cash & Carry is one of the leading international wholesale traders and operates 759 wholesale stores under the METRO and MAKRO brands across 25 countries in Europe and Asia. Its more than 21 million commercial customers worldwide are mainly hotels, restaurants, catering companies, independent retailers as well as service providers and authorities, to which the company offers a portfolio of products and solutions that has been tailored to their specific requirements.

In the area of **food service distribution (FSD)**, METRO maintains a strong international presence with its METRO Delivery Service and the specialist companies Classic Fine Foods, Pro à Pro and Rungis Express. Classic Fine Foods is an Asian fine-food delivery specialist. The company delivers products to premium customers, such as 5-star hotels and upmarket restaurants in Asia and the Middle East. Pro à Pro has been augmenting this area since February 2017. The company delivers products to commercial customers across France, in particular in the fields of corporate catering, canteens and system catering. Rungis Express is an important food delivery company in Germany that mainly caters to HoReCa customers.

METRO Wholesale (previously METRO Cash & Carry)

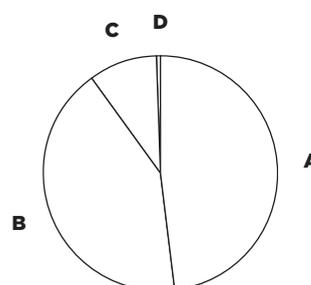
METRO Cash & Carry launched the New Operating Model in financial year 2015/16 to improve its business management. As part of the introduction of the New Operating Model, the METRO Cash & Carry countries were classified into the clusters HoReCa, Multispecialist, Trader and Others.

Supported by positive currency effects among other factors, METRO Wholesale's reported **sales** for financial year 2016/17 increased by 3.0% to €29.9 billion. Since its acquisition in February 2017, Pro à Pro also contributed to the overall sales revenue with approximately €470 million. The company is one of the leading food service distribution providers (FSD) in France. Sales rose by 2.3% in local currency. Like-for-like sales increased by 0.9%. Like-for-like sales increased in all quarters and have now risen in every quarter for 4 years in a row.

The delivery business of METRO Wholesale continued to develop highly dynamically. Sales in financial year 2016/17 rose by more than 25% to more than €4.6 billion. The share of sales attributable to the delivery business for the entire year amounts to 15.6%. The acquisition of Pro à Pro has also contributed to this.

SALES OF METRO WHOLESAL 2016/17

by clusters



A	48.3%	HoReCa
B	41.9%	Multispecialist
C	9.7%	Trader
D	0.1%	Others

Reported sales in the **HoReCa** cluster rose by 3.1% in financial year 2016/17. Sales rose by 4.5% in local currency. Like-for-like sales increased slightly by 0.3%. Especially Turkey contributed to the growth in like-for-like sales, while Germany recorded a decline.

In the **Multispecialist** cluster, sales increased by 3.7% in financial year 2016/17. Sales rose by 0.5% in local currency. Like-for-like sales slightly increased by 0.5%. Russia and the Netherlands recorded declining sales, in particular, while China, Pakistan and India achieved significant increases.

In the **Trader** cluster, sales increased by 3.3% in financial year 2016/17. Measured in local currency, sales in the Trader cluster rose by 3.9%. Sales rose by as much as 5.5% like-for-like. With the exception of Poland, like-for-like sales climbed in all countries.

EBIT before special items amounted to €1,114 million (2015/16: €1,048 million), supported by positive currency effects amounting to €37 million. Adjusted for these effects, EBIT before special items improved by €29 million. This particularly includes 2 real estate transactions in China, which contributed approximately €80 million (Q2) and €30 million (Q4) to the result. In the previous year, material real estate transactions only accounted for €34 million. Before these real estate transactions and currency effects, EBIT before special items amounted to €47 million less than the previous year. This decline is in particular attributable to developments in Russia, the Netherlands and Belgium, which could not be offset by earnings improvements in most of the other METRO Cash & Carry companies.

EBIT at METRO Wholesale totalled €1,035 million in financial year 2016/17 (2015/16: €1,271 million). This

decrease was due in particular to income from the sale of the activities in Vietnam during the previous year (€446 million). Adjusted for the one-time income gained from the Vietnamese sale in the previous year, the special items are considerably below the previous year's level due to fewer restructuring activities.

On 30 September 2017, METRO Wholesale operated 759 stores located in 25 countries. Of these stores, 104 were in Germany, 239 in Western Europe (excluding Germany), 283 in Eastern Europe and 133 in Asia. Additional countries were covered by the activities of Classic Fine Foods and Rungis Express. Overall, METRO Wholesale has operations in 35 countries.

— For more information, see the Annual Report 2016/17 at www.metroag.de/more/earnings-position.

KEY FIGURES METRO WHOLESALE 2016/17

in year-on-year comparison

	2015/16 € million	2016/17 € million	Change in % compared with the previous year's period			
			in group currency (€)	Currency effects in percentage points ¹	in local currency	like-for-like sales in local currency
Sales	29,000	29,866	3.0	0.7	2.3	0.9
HoReCa	13,993	14,429	3.1	-1.4	4.5	0.3
Multispecialist	12,066	12,518	3.7	3.3	0.5	0.5
Trader	2,802	2,895	3.3	-0.5	3.9	5.5
Others	138	23	-	-	-	-
EBIT ²	1,048	1,114	-	-	-	-
EBIT margin (%) ³	3.6	3.7	-	-	-	-
Locations (number)	752	759	-	-	-	-
Selling space (1,000 m ²)	5,380	5,307	-	-	-	-

¹ The currency effect is calculated by comparing reported sales of the current financial year in euros with sales of the previous period, converted at the average exchange rate of the current financial year.

² Before special items.

³ Before special items; the EBIT margin shows the EBIT/sales ratio.

REAL

Real is an innovative food retail company in Germany, where it is a leading operator of hypermarkets with currently 282 stores. The hypermarkets are distinguished by a product range of around 80,000 individual products – many of them high-quality fresh-food products – and an attractive range of non-food products. In addition to its bricks-and-mortar retail operations, the company is also pursuing online sales. The integration of the Hitmeister online shop into real.de allowed Real to expand its online product range considerably. Since February 2017, it has been offering a very large assortment of products.

Compared to the previous year, Real's reported **sales** declined by 3.1% to €7.2 billion in financial year 2016/17. This was particularly due to store disposals. Like-for-like sales decreased by 1.0%. After a difficult first half of the year, the sales trend stabilised over the further course of the financial year: following growth in the 3rd quarter, like-for-like sales increased by 0.6% in the 4th quarter. Online sales continued to develop

very positively. Again, it rose markedly by more than 50% to €105 million in financial year 2016/17. This positive development was driven by the integration of the acquired online shop Hitmeister.

EBIT before special items decreased from €105 million to €80 million. This is due to a decline in sales and increased expenses for advertising and the expansion of the online business. In many food categories, the development was influenced by continuing high competition, while lower personnel costs had the opposite effect.

In financial year 2016/17, **EBIT** totalled €19 million (2015/16: €108 million). This decline is primarily attributable to expenses incurred by the restructuring of the headquarters.

In financial year 2016/17, Real's German store network was reduced by 3 to 282 stores.

— **For more information, see the Annual Report 2016/17 at www.metroag.de/more/earnings-position.**

KEY FIGURES REAL 2016/17**in year-on-year comparison**

Change in % compared with the previous year's period

	2015/16 € million	2016/17 € million	in group currency (€)	Currency effects in percentage points	in local currency	like-for-like sales in local currency
Sales	7,478	7,247	-3.1	0.0	-3.1	-1.0
Germany	7,478	7,247	-3.1	0.0	-3.1	-1.0
EBIT ¹	105	80	-	-	-	-
EBIT margin (%) ²	1.4	1.1	-	-	-	-
Locations (number)	285	282	-	-	-	-
Selling space (1,000 m ²)	1,967	1,941	-	-	-	-

¹ Before special items.² Before special items; the EBIT margin shows the EBIT/sales ratio.

INNOVATION

As a retail company, METRO does not make its own products and therefore does not conduct research and development in the strict sense of the term. As part of our innovation management, we rather aim to take the food retail and food service sector to a new level and taking advantage of the unique opportunities arising from the digitisation of the entire industry sector. We want to stay relevant to our customers and provide them with the best possible service. This means: we will create better, longer-lasting experiences for our customers at all touchpoints. In the store, while delivering goods, in e-commerce, with the apps we develop and while providing customer services. We are also optimising internal work processes.

Our development of digital innovations focuses on 3 different areas: customer-oriented solutions, user-centric solutions and solutions for our customers' own businesses. These 3 areas of development constitute an interlinked innovation process. They support our core business – stores, e-commerce, delivery and the trader franchise model – with requirements that vary for each country, on the one hand, and our customers with services, on the other hand.

In the field of customer-oriented solutions, our staff at METRO Cash & Carry France works closely with its customers to develop a new store format. We are using virtual reality in the developmental stage. Another example is the continuous improvement of the payment procedure as a central factor in customer satisfaction. Together with customers and employees, we are trialling and optimising self-scanning and self-checkout solutions.

In the field of user-centric innovations for internal users, we are constantly working on improving our range of internal and external IT solutions. In the field of food service distribution, this includes an innovative online ordering system and apps for customer managers and drivers.

In addition, our services also include the development of solutions for our customers' own businesses. We understand that assisting them in becoming more successful will also deliver rewards for our company.

HoReCa Digital

One of the key target groups of our wholesale business are independent companies in the fields of hotels, restaurants and catering services (HoReCa). The hospitality industry is experiencing increasing pressure to adapt to its customers' changing lifestyles. Customers have been integrating digital technologies in their daily lives for a long time and are now keen to put their benefits to good use, for example, when visiting a restaurant. But many operators in the hospitality industry fall short of their customers' expectations. METRO

is well aware of this situation thanks to its long-standing business relationships with millions of independent companies. To survive and succeed in the future, these companies need to become more tech-savvy and embrace digitisation. In 2015, we established the new business unit HoReCa Digital with the objective of supporting the digital revolution in the hospitality industry. Our international team is currently working on the following initiatives:

Development of digital solutions for the food service industry

Most small independent companies lack the time and financial resources necessary to deal with the issues brought about by digitisation. We know the daily work of food service operators by heart and develop targeted and simple digital products that require little time and money. For example, we give our customers an opportunity to create their own website in less than 5 minutes and free of charge. Financial year 2016/17 saw around 10,000 customers using this service.

Another example from practice is the "Gastro-cockpit", a clearly laid-out management tool for food service operators. It shows the most important key figures, such as sales (per day, week and month), a per-table analysis and a break-even analysis, all available in a single place. The tool also analyses and illustrates data from the cash register and incorporates certain global parameters, such as public holidays, weather data as well as individual parameters, for example, costs. A web application makes the data accessible from anywhere at any time. Analyses and intelligent forecasts can assist with process optimisation, cost saving and sales increase. They enable the hospitality operator to take targeted action rather than responding to situations as they arise. This approach in turn leaves the operator with more time for what's really important: customer service.

Development of efficient sales channels

Our HoReCa Digital business unit also offers support services for the development of efficient sales channels. This allows us to provide our own digital solutions and assist start-ups in their efforts to offer suitable, usually digital solutions to independent companies from the food service and hotel industries. The objective is to offer digital solutions that have been tailored to the needs of the individual company and that can therefore support our HoReCa customers in their operative business. This process can also help METRO Cash & Carry establish contact with new customers and nurture existing customer relationships. To ascertain which digital products and functions are particularly helpful and how they can help to significantly

improve customers' daily operations, HoReCa Digital launched pilot projects in more than 500 restaurants in Berlin, Paris, Vienna, Barcelona and Milan. These projects give the start-ups important insights into user behaviour and preferences and connect them with potential future customers.

Promotion of start-ups via the METRO Accelerator programmes

In cooperation with the US company Techstars, we have been organising and promoting the development of innovative digital services for independent hospitality companies for 3 years. Since 2017, we offer the same service to the retail sector. The Accelerator initiative was established with the objective of promoting the development of innovative start-ups in this environment, for example, by helping them improve their chances of success and their access to growth capital from professional investors. The year 2017 saw the launch of the third hospitality programme and the first programme in the retail sector. 10 international teams compete in the programme, which is based in Berlin and spans over 3 months. They are supported by around 100 mentors from the start-up scene and investor communities, as well as food service and retail companies. HoReCa Digital invests in the companies participating in the Accelerator programme. Our partner Techstars supports us in our decisions in terms of accepting start-ups into the programme and placing our investments.

Investments in relevant start-up companies

We seek to accelerate the digitisation of the HoReCa industry by simplifying the target group's access to promising products and services. We therefore invest in start-up companies that develop solutions for the HoReCa industry. We frequently do this in partnership with other professional investors. Our objective is to participate in the growing value of these young companies. The acquisition and integration of these companies however does not serve the purpose of transforming METRO's core area of business. All investments are managed by a team of experienced experts. They are supported in their decision-making process by the Investment Committee, which is separated from the METRO Cash & Carry business. The investment strategy focuses on potentials to create additional value beyond METRO's core business. METRO also makes its resources available where advisable and helpful, thus providing opportunities to realise additional value. This is exemplified by METRO Sales Force, which is stimulating customer demand by providing proactive customer service.

In financial year 2016/17, HoReCa Digital invested in the start-up companies Planday from Denmark and Yoyo Wallet from the UK. Planday offers workforce management solutions enabling companies to switch from paper and pen to a lean digital process for their staff roster planning. This delivers significant savings in terms of time and resources. Yoyo Wallet offers a

combination of quick and easy technologies for mobile payments, mobile ordering and personalised customer loyalty and bonus programmes. The application is supported by an analysis and event platform for retail companies.

Food technology and food innovation

The Food Technology and Food Innovation department at HoReCa Digital is concerned with trends, innovations and new solutions for the food industry. HoReCa Digital considers itself an interface between new technologies, food concepts and consumers. From new farming technologies to new approaches in recycling – the context of digital disruption and global megatrends creates new concepts on a daily basis. These new concepts must be explained to the consumers and validated together with the respective companies.

HoReCa Digital offers a number of different programmes aimed at supporting young start-ups on their way to the market. Together with them, the company also develops strategies for assessing the marketability of products. Partnership projects, such as the initiatives with the Association for Vertical Farming, the Schmiede.one AgTech Accelerator or the incubator initiative at the University of Wageningen in the Netherlands provide us with the privilege of gaining early access to new approaches in food technology, which are then tested and trialled together with the Purchasing, Quality Assurance and Sustainability departments. Our community activities, such as "Innovation in Retail" and the "Rising Spoon" meetups, create an environment that allows entrepreneurs and innovators to discuss the latest developments and receive inspiration from novel ideas. The goal is to not merely gather the visionaries around a table, but to engage with them proactively in designing the future.

Exchange of experiences and observation of trends in the hospitality industry

HoReCa Digital promotes the exchange of experiences and community building in the HoReCa sector, for example, by establishing a cooperation with Ecole hôtelière de Lausanne (EHL), which started in February 2016. Our joint efforts have resulted in the establishment of an academic chair for digital innovation in the hotel, restaurant and catering sectors. The goal of the METRO Chair of Innovation is to research the digitisation in the HoReCa sector in key markets like France, Italy, Spain, Germany and Japan as well as to strengthen academic teaching in this area. HoReCa Digital further pursues systematic social media activities (for example, for the finalists of the METRO Accelerator powered by Techstars) to strengthen the company's online reputation and help advance digital solutions for the food service and hospitality sectors.

— **For more information, see the Annual Report 2016/17 at www.metroag.de/more/innovations.**

SUSTAINABILITY

In 2015, the United Nations declared the global community's Sustainable Development Goals (SDGs). A detailed global agenda was provided to assist governments, companies and private individuals in reaching the overall 17 goals required to achieve a sustainable development on an economic, social and environmental level. Also METRO considers itself an active member of the global community and strives to contribute to the creation of additional value and thereby the attainment of the SDGs. As companies, we have a moral obligation to balance our economic interests with both social demands as well as the demands of our customers, employees, investors and business partners and to not limit our efforts to the requirements imposed on us by the legislator. We must respect the limits placed on us by humanity and the natural environment. For us, sustainability does not stop at focusing on environmental and social issues. The notion of sustainability encompasses every single aspect of our actions and is a fixed item on the agenda of our corporate strategy.

Our stakeholders use ratings to evaluate the sustainability measures carried out by METRO. These evaluations provide important motivation to us and serve as a management tool because they demonstrate the progress of and potential to improve our activities.

Oekom Corporate Rating awarded METRO in September 2017 the prime status C+ (on a scale from D- to A+). Financial year 2016/17 also saw the internationally renowned sustainability indexes Dow Jones Sustainability World and Europe ranking our group as the leading company in its sector for the third consecutive time.

When it comes to defining our responsibilities and key focus areas, we do not just rely on our own internal perspective.

The former METRO GROUP conducted an initial stakeholder survey in 2016. The results of this survey continue to bear relevance for METRO today. The survey assists us in reviewing the relevance of the identified issues and also plays a role in the simplified materiality analysis for financial year 2016/17.

Commitment to our employees

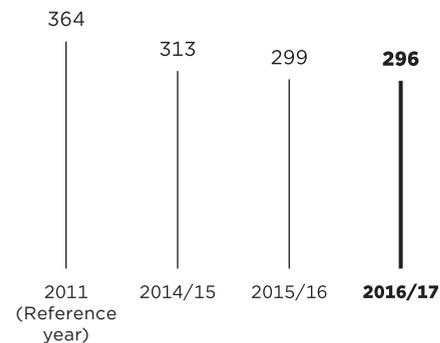
In terms of our sustainable corporate governance, we consider it our duty to create and ensure an attractive, fair and safe work environment. We take the approach of valuing the individuality of our employees, encouraging their diversity and strengthening their personal responsibility. This allows us to support them in implementing our strategy successfully and sustainably.

Sustainable business operations

A responsible consumption of energy and other natural resources is crucial for all of us. The use of resources has a direct effect on our operating costs and may entail undesirable environmental implications, such as the emission of climate-damaging greenhouse gases. We strive to reduce the climate-relevant emissions caused by our business operations and our consumption of natural resources. We do this by focusing on intelligent energy consumption and investments aimed at increasing our energy efficiency. Adopting targeted measures enables us to reduce consumption levels as well as costs. We are also committed to responsible resource management.

CLIMATE PROTECTION TARGET STATUS

Greenhouse gas emissions in kg CO₂ (CO₂-equivalent) per m² sales floor



Further key focal issues in relation to sustainable business operations are the prevention of waste, the reuse of resources and their recovery by means of recycling. The reduction of food waste is an issue of particular importance for the operational business of METRO.

Sustainable procurement and assortment management

In our procurement activities, we strive to purchase high-quality and safe products that are socially acceptable and environmentally safe. This provides the foundation for a sustainability-focused management of our assortment. As a retailer, our business also depends on the long-term availability of resources, as these raw materials are needed to produce and package our products. Therefore, our actions are consistently geared to implement our group-wide purchasing

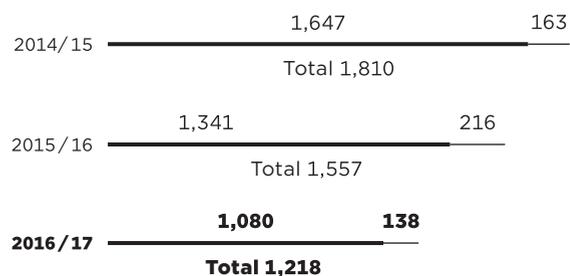
policy for sustainable procurement across our entire product range. This policy sets out the fundamental requirements for sustainable supply chain and procurement management.

We aim to ensure socially acceptable working conditions within our sourcing channels. A systematic approach to achieving social standards is an integral part of the process.

SOCIAL AUDITS RELATING TO OWN IMPORTS BY METRO SOURCING AND NON-FOOD OWN BRAND PRODUCTS OF THE METRO SALES LINES

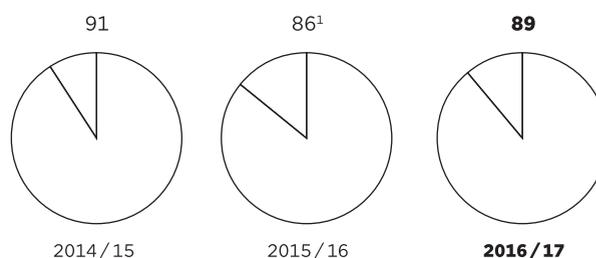
as of the closing date of 30/9

Factories with a valid audit (number)



— thereof with passed audit
— thereof with failed audit

Thereof with passed audit (in %)



Factories that have passed the audit may prove the successful implementation of the BSCI system of social standards or an equivalent system by furnishing a certificate issued by an independent third party.

¹ Adjustment of the BSCI rating system from three rating levels (good / improvements needed / non-compliant) in 2015 to five levels (A/B/C/D/E). The result "improvements needed" has been counted as a "passed" result. Some of the results previously counted as "improvements needed" have been reassigned to either "C" (passed) or "D" (failed) under the new rating system. The adjustment resulted in a declining proportion of producers in financial year 2015/16 that passed the audit.

Sustainable consumption

The specific product mixes of our sales lines are tailor-made to perfectly match the diverse needs of our private and commercial customers. These products and services must not only meet quality and safety requirements. Increasingly, they must also satisfy critical social and environmental requirements – from production and procurement to usage and disposal. For this reason, we focus firmly on measures that enable us to shape the relevant product features on the basis of our guidelines for sustainable purchasing. Our goal is to procure products that satisfy environmental, social and economic considerations.

In financial year 2016/17, METRO Cash & Carry and Real generated sales of nearly €16 million in Germany from fair trade products.

This figure includes all articles bearing a Fairtrade or GEPA label. In the same period, our sales lines generated nearly €140 million in Germany-wide sales of products certified in accordance with the EU regulation on organic products. Our assortment also includes products from sustainable fisheries and aquaculture. In financial year 2016/17, METRO Cash & Carry and Real generated sales of more than €93 million from their sustainable fish assortment in Germany.

The Real sales line generated sales of more than €440 million from regional products during the past financial year. The sales lines increasingly offer its customers products from sustainable forestry. Sales of products bearing either the Forest Stewardship Council (FSC®) or the Programme for the Endorsement of Forest Certification (PEFC) label exceeded €39 million in Germany.

Consumption, even at reasonable levels, always involves the use and depletion of resources. We therefore feel that it is our responsibility to minimise the resultant waste and emissions.

Social commitment

METRO views its commitment to society and the environment as a form of creating additional value by addressing the challenges faced by our society. Our diverse activities aim at promoting the intercultural dialogue, supporting our retail and wholesale outlets and their local communities and offering targeted help to people in need.

— For more information, see the Annual Report 2016/17 at www.metroag.de/more/sustainability.

EMPLOYEES

Our objective is to achieve revenue growth and profits that are sustainable over the long term. We also aspire to lift the food and hospitality sector to a whole new level. To achieve these goals, we need dedicated employees who bring our strategy to life in their everyday work. One thing is certain: METRO can only grow if we support the growth of our employees. Our human resource strategy focuses on 2 key aspects: on human resource management, which includes employee recruitment, retention and development and on occupational safety and health management. Our objective is to attract the very best employees, to support them in accordance with their motivation and abilities and to strengthen their long-term loyalty to our company. By taking this approach, we strive to be the employer of choice among current and future employees.

Recruiting employees

In competing for the most highly skilled employees and executives, we take steps to polish our image among potential applicants. This also includes offering initial training programmes to young professionals starting their career in retail, which in turn enables us to recruit employees from our own ranks. In Germany, we focus on needs-based initial training with the goal of hiring a large portion of apprentices following graduation.

Employee commitment

Our global employee survey METRO Voice is an important tool used to determine the commitment of the workforce and their loyalty to the company. We conduct the survey regularly in all countries with METRO Cash & Carry operations, in the service companies and at METRO AG. Under the slogan "Your opinion. Our dialogue.", about 104,000 employees were invited to participate in the survey during the reporting period. 89% of employees at the surveyed business units took part in the survey. The level of commitment, which indicates the degree of connection, pride in the company, loyalty and motivation, increased by 1% to 76% during the reporting period. It far exceeds the score of Aon Hewitt's Global Retail Benchmark (64%) and continues the positive trend of previous years.

Diversity management

	2015/16	2016/17
Average employee age (years)	40.4	40.6
Newly hired employees in the 50-plus age group in Germany	458	678
Newly hired employees in the 50-plus age group at international level	848	954
Share of employees in the 50-plus age group as a proportion of the total workforce in Germany	42.4%	43.5%
Share of employees in the 50-plus age group as a proportion of the total workforce at international level	13.4%	13.6%
Employees with a recognised severe disability or equivalent status in Germany	4,182	4,124
Employees with a recognised severe disability or equivalent status at international level	1,353	1,317

Development of employee numbers

During the reporting period, METRO employed an average of 137,136 (2015/16: 138,089) employees on the basis of full-time equivalents. This is a decrease of 0.7% from the same period of the previous year. The majority of our employees work outside of our home market Germany. In Western Europe (excluding Germany), Eastern Europe and Asia, we had 92,611 full-time equivalents, 0.2% more than during the same period of the previous year. In Germany, the workforce by full-time equivalents decreased slightly to 44,525 (2015/16: 45,702).

Development of personnel expenses

Our personnel expenses decreased by 5.1% to €4.0 billion compared to the same period of the previous year (2015/16: €4.2 billion). This amount includes €3.2 billion (2015/16: €3.4 billion) for wages and salaries, including payroll tax and the employer's social security contribution. The remainder was attributable to social welfare contributions, pension expenses and employee benefits.

— For more information, see the Annual Report 2016/17 at www.metroag.de/more/employees.

DEVELOPMENT OF EMPLOYEE NUMBERS BY COUNTRIES AND SEGMENTS

by headcount as of the closing date of 30/9

	METRO Wholesale		Real		Others		METRO	
	2016	2017	2016	2017	2016	2017	2016	2017
Germany	14,656	14,105	35,121	34,195	5,842	5,832	55,619	54,132
Belgium	3,072	2,897					3,072	2,897
France	8,493	10,151			0	1	8,493	10,152
Italy	4,233	4,225					4,233	4,225
Netherlands	3,660	3,523			11	3	3,671	3,526
Austria	2,101	2,037			0	8	2,101	2,045
Portugal	939	976					939	976
Switzerland	80	84			78	67	158	151
Spain	3,690	3,714					3,690	3,714
Western Europe (excl. Germany)	26,268	27,607	0	0	89	79	26,357	27,686
Bulgaria	2,240	2,268					2,240	2,268
Kazakhstan	827	930					827	930
Croatia	1,085	943					1,085	943
Moldova	609	603					609	603
Poland	5,521	5,401			370	371	5,891	5,772
Romania	3,906	3,842			1,450	764	5,356	4,606
Russia	17,571	16,053			2	0	17,573	16,053
Serbia	1,229	1,237					1,229	1,237
Slovakia	1,257	1,292					1,257	1,292
Czech Republic	3,464	3,339					3,464	3,339
Turkey	4,294	4,376			86	74	4,380	4,450
Ukraine	2,828	2,768					2,828	2,768
Hungary	2,587	2,558			5	3	2,592	2,561
Eastern Europe	47,418	45,610	0	0	1,913	1,212	49,331	46,822
China ¹	12,142	12,520			383	334	12,525	12,854
India	4,624	5,101			687	724	5,311	5,825
Japan	1,137	1,166					1,137	1,166
Myanmar	0	7					0	7
Pakistan	1,837	1,891					1,837	1,891
Asia	19,740	20,685	0	0	1,070	1,058	20,810	21,743
USA²	5	0					5	0
International	93,431	93,902	0	0	3,072	2,349	96,503	96,251
METRO	108,087	108,007	35,121	34,195	8,914	8,181	152,122	150,383

¹ All employees of Classic Fine Foods are attributed to the Asia (China) region.² US employees were employed by the Boston Trading Office (BTO), which closed on 28 February 2017.

OUTLOOK

The outlook is based on the assumption of stable exchange rates without portfolio adjustments. In an effort to further improve the transparency of its operative performance, METRO will in the future report its earnings in the form of EBITDA excluding earnings contributions from real estate transactions. As the restructuring measures stemming from the transformation of the group have been completed to the greatest extent, our future reporting will no longer include special items. Our reporting will also assume a continuously complex geopolitical situation.

Sales

For financial year 2017/18, METRO expects to see a slight rise in overall sales, despite the persistently challenging economic environment. We aim for our growth rate to at least match the 1.1% growth achieved in financial year 2016/17. The main growth driver will be METRO Wholesale.

METRO expects the like-for-like sales development to slightly surpass the 0.5% growth delivered in the reporting year 2016/17. METRO Wholesale is expected to make a significant contribution to this growth.

Earnings

METRO is confident of its ability to significantly improve earnings. We expect EBITDA excluding earnings contributions from real estate transactions to increase by approximately 10% compared to the previous year's result (€1,436 million) with both segments contributing to the increased earnings.

— **For more information, see the Annual Report 2016/17 at www.metroag.de/more/outlook.**

CONSOLIDATED FINANCIAL STATEMENTS (EXTRACT)

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2016 TO 30 SEPTEMBER 2017

€ million	Note no.	2015/16	2016/17
Sales revenues	1	36,549	37,140
Cost of sales		-29,560	-30,124
Gross profit on sales		6,989	7,016
Other operating income	2	1,462	1,057
Selling expenses	3	-6,171	-6,084
General administrative expenses	4	-1,058	-1,014
Other operating expenses	5	-105	-137
Earnings share of operating companies recognised at equity	6	102	14
Earnings before interest and taxes EBIT		1,219	852
Earnings share of non-operating companies recognised at equity	6	3	0
Other investment result	7	-3	-11
Interest income	8	65	44
Interest expenses	8	-276	-200
Other financial result	9	-114	-37
Financial result		-325	-204
Earnings before taxes EBT		894	649
Income taxes	11	-375	-304
Profit or loss for the period		519	345
Profit or loss for the period attributable to non-controlling interests	12	13	20
Profit or loss for the period attributable to the shareholders of METRO AG		506	325
Earnings per share in € (basic = diluted)	13	1.39¹	0.89

¹ Pro forma disclosure of combined financial statements.

BALANCE SHEET AS OF 30 SEPTEMBER 2017**Assets**

€ million	Note no.	30/9/2016	30/9/2017
Non-current assets		9,434	9,225
Goodwill	18	852	875
Other intangible assets	19	420	473
Tangible assets	20	6,979	6,822
Investment properties	21	163	126
Financial investments	22	89	92
Investments accounted for using the equity method	22	183	183
Other financial and non-financial assets	23	239	217
Deferred tax assets	24	509	439
Current assets		6,558	6,554
Inventories	25	3,063	3,046
Trade receivables	26	493	575
Financial assets		0	1
Other financial and non-financial assets	23	1,280	1,214
Entitlements to income tax refunds		123	148
Cash and cash equivalents	29	1,599	1,559
Assets held for sale	30	0	11
		15,992	15,779

Equity and liabilities

€ million	Note no.	30/9/2016	30/09/2017
Equity	31	2,924	3,207
Net assets attributable to the former METRO GROUP		3,748	0
Other components of equity		-860	0
Share capital		0	363
Capital reserve		0	6,118
Reserves retained from earnings		0	-3,320
Non-controlling interests		36	46
Non-current liabilities		4,954	4,197
Provisions for post-employment benefits plans and similar obligations	32	646	557
Other provisions	33	297	283
Financial liabilities	34, 36	3,796	3,095
Other financial and non-financial liabilities	34, 37	127	162
Deferred tax liabilities	24	88	100
Current liabilities		8,114	8,376
Trade liabilities	34, 35	4,892	4,782
Provisions	33	559	456
Financial liabilities	34, 36	944	1,611
Other financial and non-financial liabilities	34, 37	1,591	1,345
Income tax liabilities	34	128	167
Liabilities related to assets held for sale	30	0	15
		15,992	15,779

CASH FLOW STATEMENT¹**FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2016 TO 30 SEPTEMBER 2017**

€ million	Note no. ²	2015/16	2016/17
EBIT		1,219	852
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	14	699	758
Change in provisions for post-employment benefits and other provisions	32, 33	61	-117
Change in net working capital	25, 26, 35	-77	-44
Income taxes paid		-203	-216
Reclassification of gains (-) / losses (+) from the disposal of fixed assets		-158	-141
Other		-368	-65
Cash flow from operating activities		1,173	1,027
Acquisition of subsidiaries		-81	-181
Investments in property, plant and equipment and in investment property (excluding finance leases)	20, 21	-592	-579
Other investments		-152	-164
Investments in monetary assets	23	-82 ³	-481
Disposals of subsidiaries		359	-54
Disposal of fixed assets	19, 20, 21, 22	125	134
Gains (+) / losses (-) from the disposal of fixed assets		158	141
Divestment of monetary assets	23	777 ⁴	583
Cash flow from investing activities		512	-601
Dividends paid	31		
to METRO AG shareholders		0	-12 ⁵
to other shareholders		-15	-20
Redemption of liabilities from put options of non-controlling interests		-86	-20
Proceeds from new borrowings		540	2,121
Redemption of borrowings		-3,686	-2,129
Interest paid		-273	-193
Interest received		76	41
Profit and loss transfers and other financing activities		-46	-5
Transactions with the former METRO GROUP		-23	-221
Cash flow from financing activities		-3,513	-438
Total cash flows		-1,828	-12
Currency effects on cash and cash equivalents		-11	-25
Total change in cash and cash equivalents		-1,839	-37
Cash and cash equivalents as of 1 October		3,438	1,599
Less cash and cash equivalents reported in assets in accordance with IFRS 5		2	0
Cash and cash equivalents as of 1 October		3,436	1,599
Cash and cash equivalents as of 30 September		1,599	1,562
Less cash and cash equivalents reported in assets in accordance with IFRS 5	30	0	3
Cash and cash equivalents as of 30 September	29	1,599	1,559

¹ The cash flow statement is explained in the notes to the consolidated financial statements in no. 41 - notes to the cash flow statement (see the Annual Report 2016/17 at www.metroag.de/more/notes).

² Deviations from the balance sheet values result from adjusted translation effects and changes in the consolidation group.

³ Other investments, recognised in the previous year.

⁴ Disposal of long-term assets, recognised in the previous year.

⁵ The reported dividend includes dividends to non-controlling interest holders in the amount of €-12 million whose interests are shown fully as debt capital due to put options.

METRO IN FIGURES

€ million		2014/15	2015/16	2016/17	Change in %
Key financial figures					
Sales development (like-for-like)	%	0.6	0.2	0.5	-
Sales (net)		37,496	36,549	37,140	1.6
thereof METRO Wholesale		29,692	29,000	29,866	3.0
thereof Real		7,736	7,478	7,247	-3.1
EBITDA		1,606	1,918	1,611	-16.0
EBITDA before special items ¹		1,771	1,791	1,810	1.0
EBIT		860	1,219	852	-30.1
EBIT before special items ¹		1,081	1,106	1,106	0.1
thereof METRO Wholesale ¹		1,061	1,048	1,114	6.2
thereof Real ¹		93	105	80	-24.3
EBT (earnings before taxes)		466	894	649	-27.4
EBT (earnings before taxes) and special items ¹		693	808	896	10.9
Profit or loss for the period		265	519	345	-33.5
Profit for the period before special items ¹		464	495	583	17.8
Earnings per share (basic = diluted) ²	€	0.70 ³	1.39 ³	0.89	-36.0
Earnings per share before special items ^{1, 2}	€	1.25 ³	1.33 ³	1.55	16.5
Dividend per ordinary share	€	0	0	0.70⁴	-
Dividend per preference share	€	0	0	0.70⁴	-
Cash flow from operating activities		1,252	1,173	1,027	-12.4
Investments		1,155	1,007	827	-17.9
Equity ratio	%	14.2	18.3	20.3	-
Net debt		3,815	3,051	3,142	3.0
Employee (annual average by headcount)		165,404	156,852	155,082	-1.1
Locations		1,061	1,041	1,041	0.0
Selling space (1,000 m ²)		7,529	7,377	7,249	-1.7

¹ The special items for 2015/16 and 2016/17 are presented in the combined management report -

³ economic report - 3.2 asset, financial and earnings position - earnings position - special items (see the Annual Report 2016/17 at www.metroag.de/more/earnings-position).

² After non-controlling interests.

³ Pro forma disclosure of combined financial statements.

⁴ Subject to the resolution of the Annual General Meeting.

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