

A large, yellow, geometric shape resembling a stylized letter 'M' or a folded piece of paper, positioned on the left side of the slide. It has a white outline and a slight shadow effect.

# FY 2016/17 RESULTS PRESENTATION

13 December 2017

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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 (now operating as METRO).

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# 01 THE YEAR IN REVIEW – WHAT HAVE WE BEEN UP TO

# A TRANSITION YEAR – A YEAR OF INTENSIFICATION

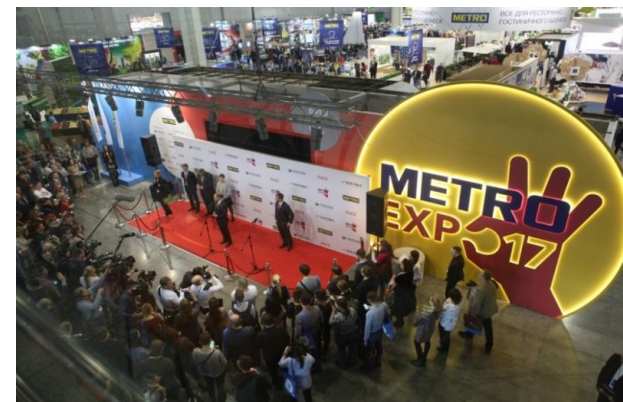


*A powerful international wholesale group*

- § Customer value driven & completely localised
- § Strong B2B relationships & recurring revenues
- § Significant growth potential substantiated
- § Solid execution track record
- § Highly engaged teams
- § Active Ownership approach
- § Strong cash conversion
- § Up-and-coming Food lover retail concept
- § Sound balance sheet
- § Substantial real estate underpin
- § Clear dividend policy
- § Additional prospects: Digitisation of SMEs

Source: Company information

# A TRANSITION YEAR – A YEAR OF ENGAGING PEOPLE





# A YEAR OF CONNECTING CUSTOMERS AND BEYOND

... across continents



Trade fairs and customer events

... across experiences



Connecting today's customers  
and future customers

...across suppliers



From global to local – sourcing  
partnerships

# A YEAR OF ENHANCING REACH AND SERVICE

... at the last mile



Organic and inorganic FSD growth

... in brick and mortar



New concepts and remodeling for dedicated customer groups

... after check-out



Click & Collect  
Delivery after check-out

# A YEAR OF DIGITIZATION



Business development program for new digital solutions that support SMEs in collaboration with Techstars

- *4 programs accomplished*
- *More than 1,500 applications*
- *40 companies participated*
- *Significant value added for SMEs*

HORECA.digital

Internal team at METRO with focus on setting up a tool set for Horeca customers, enabling customer access and developing analytics

- *~70 experts*
- *Manages innovation pipeline*
- *Conducted pilots with more than 500 customers in 5 European cities*
- *Developed basic solutions for SMEs*

**real.digital**

One of the fastest growing marketplaces combining Real's strong customer awareness with top notch e-commerce expertise

- *Very experienced team*
- *Strong roots in digital industry*
- *Powerful partnership with more than 4,000 merchants*
- *Ongoing extension*



# A YEAR OF PROGRESS REGARDING SUSTAINABILITY

Take on global challenges...



On September 25th, countries will have the opportunity to adopt a set of goals to end poverty, protect the planet, and ensure prosperity for all in part

...observe consumer trends...



...and translate into METRO commitments

Reduce carbon footprint by 50% by 2030



Provide regional, local and fair-traded as well as animal-welfare-considered products



Reduce food waste in own operations by 50% by 2025



Expand range of sustainably caught and farmed fish products to 80% by 2020



# A YEAR OF PROGRESS TOWARDS MID-TERM AMBITION

Sales growth	EBITDA margin <sup>2</sup>	Free Cash Flow (FCF) <sup>5</sup>
Reported: +1.6%	Before SI <sup>3</sup> : 4.9% (PY 4.9%)	Δ EBITDA <sup>4</sup> (rep.): +€138m vs PY
Like-for-like: +0.5 %	Reported: 4.3% (PY 5.2%; adj. <sup>4</sup> 4.0%)	Δ FCF: +€266m vs PY
Delivery <sup>1</sup> : >25%		FCF conversion: 56% (PY 43%)
Online (Real): >50%		
<i>Mid-term ambition: +3% reported growth</i>	<i>Mid-term ambition EBITDA margin: ~5%, no more special items reporting</i>	<i>Mid-term ambition FCF conversion: &gt;60%</i>

*Incentive scheme fully in line with financial ambition*

<sup>1</sup> Wholesale delivery organic and M&A; <sup>2</sup> Mid-term ambition refers to EBITDA margin before special items; METRO's reporting will move to EBITDA from FY 2017/18 onwards; <sup>3</sup> SI = special items;

<sup>4</sup> excluding the €445m gain from sale of METRO Vietnam

<sup>5</sup> EBITDA reported - capex excluding finance lease extensions and M&A +/- change in NWC

# 02 FINANCIALS

# RETHINKING REPORTING – TRANSPARENCY AND OPERATIONAL PROXIMITY (1/2)

## METRO

*Simplify the financial reporting to increase transparency*

- *Restructuring measures completed to the greatest extent – special items no longer included in reporting*
- *Regional visibility improved*
- *Profitability of operating business*

## METRO Wholesale

*Visualize strategic development*

- *Grow food share*
- *Further grow delivery*
- *Growth focus on target groups Horeca & Trader*
- *Strengthen customer loyalty*
- *Increase share of wallet*

## Cash flow

*Further increase cash flow focus*

- *Active steering of cash flow*
- *Capex efficiency focus*
- *Further optimize inventory*

Reporting to be adjusted from Q1 2017/18 onwards

# RETHINKING REPORTING – TRANSPARENCY AND OPERATIONAL PROXIMITY (2/2)

## METRO Wholesale reporting



## Real estate gains

Proactive communication of quarterly gains by segment

Profit guidance before real estate gains

## B4B KPIs

Horeca & Trader sales share  
Horeca & Trader LfL development  
Food/Non-Food LfL development  
NPS roll-out  
Employee Engagement Index

## EBIT to ...

...EBITDA  
to account for cash flow focus

EPS indication to reflect  
bottom-line accountability



# SALES IN FY – ACCELERATION OF GROWTH THROUGH REGIONAL IMPROVEMENT, DELIVERY AND ONLINE

%	FY 2015/16	FY 2016/17
Like-for-like growth	0.2%	0.5%
METRO Wholesale	0.6%	0.9%
<i>thereof Food</i>		2.1%
Real	-1.1%	-1.0%
Reported growth	-2.5%	1.6%
METRO Wholesale	-2.3%	3.0%
Real	-3.3%	-3.1%
Sales share of respective sales line		
Delivery: METRO Wholesale	12.8%	15.6%
<i>excl. Pro à Pro</i>		14.1%
Online: Real	0.9%	1.4%

## Like-for-like growth

- 0.5% LfL growth; increase driven by METRO Wholesale
  - traction in key customer groups Horeca and Trader
  - traction in focus categories in Food
- METRO Wholesale: driven by positive development in all regions (excl. Germany) and delivery growth
- Real: trend improvement in competitive environment

## Reported growth

- Acquisition of Pro à Pro, positive currency effects, as well as the opening of 13 new stores lead to significant acceleration from -2.5% to 1.6%

## Multichannel sales share

- METRO Wholesale: continued double-digit growth in delivery
- Real: >50% online growth to 1.4% sales share

# LFL IN FY 2016/17 – WHAT DRIVES GROWTH IN METRO WHOLESALE?

Key customer groups:  
Horeca

+ 4.1%

like-for-like growth in 2016/17  
across all countries

Key customer groups:  
Trader

+ 5.7%

like-for-like growth in Trader  
countries<sup>1</sup> in 2016/17  
....offset by gradual decline in favor  
of Horeca in Western Europe...  
-0.9% like-for-like on group level

Focus categories: Food

+ 2.1%

Food like-for-like growth in  
2016/17

<sup>1</sup> Trader countries: Romania, Poland, Moldova, Ukraine

# EBIT IN FY – REAL ESTATE AND CURRENCY OFFSET DECREASE AT REAL

€m / %	FY 2015/16	FY 2016/17
EBIT before SI	1,106	1,106
METRO Wholesale	1,048	1,114
<i>thereof FX</i>		37
Real	105	80
Others/Consolidation	-48	-87
EBIT margin	3.0%	3.0%
METRO Wholesale	3.6%	3.7%
Real	1.4%	1.1%
Real estate gains	153	175
METRO Wholesale	34	115
Real	0	6
Others	119	60
Consolidation	0	-6

## EBIT and EBIT margin

- EBIT in line with last year
- Driven by FX support and higher real estate gains
- METRO Wholesale compensates decline in Real, caused by sales decrease, higher advertising costs and expansion of online business

## Real estate gains

- Continued focus on value-enhancing, sustainable developments with strong pipeline for coming years
- Three main transactions (~€40m Munich, ~€80m Hongkou, ~€30m Chengdu)

# SALES TO EBIT IN FY 2016/17 – REGIONAL VIEW (1/2)

## Germany<sup>1</sup>

€m / %	FY 2015/16	FY 2016/17
Sales	12,279	11,962
Like-for-like growth		-1.7%
Reported growth		-2.6%
EBIT before SI	-12	-1
EBIT margin	-0.1%	0.0%
Real estate gains	90	58

- Sales: difficult H1 16/17 followed by trend improvement
- Measurable EBIT improvement driven by METRO Wholesale Germany as well as HQ savings

## Western Europe

€m / %	FY 2015/16	FY 2016/17
Sales	10,173	10,543
Like-for-like growth		-0.3%
Reported growth		3.6%
EBIT before SI	372	324
EBIT margin	3.7%	3.1%
Real estate gains	0	6

- On like-for-like level, challenges in the Netherlands and Belgium mostly compensated
- Reported growth driven by Pro à Pro and new stores

<sup>1</sup> Segment includes METRO Wholesale Germany, Real as well as the holding

# SALES TO EBIT IN FY 2016/17 – REGIONAL VIEW (2/2)

## Eastern Europe

€m / %	FY 2015/16	FY 2016/17
Sales	9,828	10,266
Like-for-like growth		2.3%
Reported growth		4.5%
EBIT before SI	610	566
EBIT margin	6.2%	5.5%
Real estate gains	30	2

- Strong like-for-like growth driven by vast majority of countries
- EBIT reduction driven mainly by lower real estate gains; margin pressure across the region

## Asia

€m / %	FY 2015/16	FY 2016/17
Sales	4,269	4,368
Like-for-like growth		4.7%
Reported growth		2.3%
EBIT before SI	137	208
EBIT margin	3.2%	4.8%
Real estate gains	33	110

- Strong like-for-like growth driven by all countries
- Significant EBIT increase driven by higher real estate gains



# EBIT TO EPS IN FY 2016/17 – IMPROVED NET FINANCIAL RESULT AND TAX RATE INCREASE EPS

€m, before SI	FY 2015/16	FY 2016/17
EBIT	1,106	1,106
<i>Interest and investment result</i>	-208	-166
<i>Other financial result</i>	-90	-44
Net financial result	-298	-210
EBT	808	896
Tax rate in %	38.7%	34.9%
Net income	495	583
EPS in €	1.33	1.55
Includes one-time tax income		~0.10
Proposed DPS in €		0.70

## Net financial result

- €88m year-on-year improvement driven in equal parts by
  - lower financing costs
  - improved other financial result

## Tax rate

- Significant decrease due to one-time deferred tax income from reversal of deferred tax liabilities
- Adjusted for this gain, tax rate slightly above 2015/16

## EPS

- Significant EPS increase due to lower net financial result and one-time income in taxes
- Adjusted for the tax income, EPS still roughly €0.12 above 2015/16

# FCF IN FY 2016/17 – LOWER RESTRUCTURING, NWC AND CAPEX SAVINGS CAUSE FCF CONVERSION TO SOAR

€m	FY 2015/16	FY 2016/17
EBITDA before SI	1,791	1,810
Special items in EBITDA <sup>1</sup>	-318	-199
EBITDA reported <sup>1</sup>	1,473	1,611
Cash flow $\Delta$ in NWC	-77	-44
Capex <sup>2</sup>	-763	-669
METRO Wholesale	-503	-401
Real	-127	-120
Others	-133	-149
FCF	632	898
FCF conversion in %	43%	56%
Net debt (30 Sep)	3,051	3,142

Lower special items increase reported EBITDA

- METRO Wholesale: minor restructuring (€25m)
- Real: HQ restructuring costs
- Others: €115m, mostly demerger costs

Change in NWC

- Improvement driven by higher NWC focus across the entire country portfolio, despite headwinds in Russia

Capex

- Reduction driven by savings in METRO Wholesale

FCF and FCF conversion

- Overall rise by €266m or 13%-pts. to 56% conversion

Net debt

- Slight increase due to acquisition of Pro à Pro and cash-out from PY restructuring provisions

<sup>1</sup> Adjusted for positive special item from sale of METRO Vietnam (445m EUR)

<sup>2</sup> Capex, excluding M&A and excluding finance lease extensions.

# 03 STRATEGY WHOLESALE

# THE UNDERLYING PRINCIPLE: EEI -> NPS -> LFL

Highly engaged employees	Higher customer satisfaction	Like-for-like growth in 2016/17
Measured with employee engagement index (EEI)	Currently measured with internal tool (CSP)	+4.1% with Horeca customers
METRO: 76% (Global Retail benchmark 60%)	Now upgraded by utilization of net promoter score (NPS)	+5.7% with Trader customers in focus countries <sup>1</sup>
	12 countries initiated; representing >70% of sales	
	Full roll-out by FY 2017/18	+2.1% with Food

<sup>1</sup> Trader countries: Romania, Poland, Moldova, Ukraine

# NET PROMOTER SCORE

Established and proven methodology to collect customer feedback, review areas addressed and adjust business approach to enhance value and relevance for customers

Roll out to be finalized by end of 2017/18

12 countries live with NPS, all with positive score

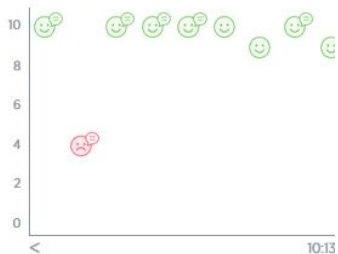
>200 stores with NPS

210k customer feedbacks collected

47k callbacks conducted

One interface with data granularity

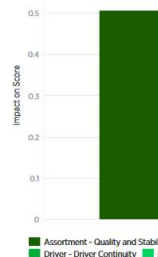
Customer comments



Store view



Levers for change

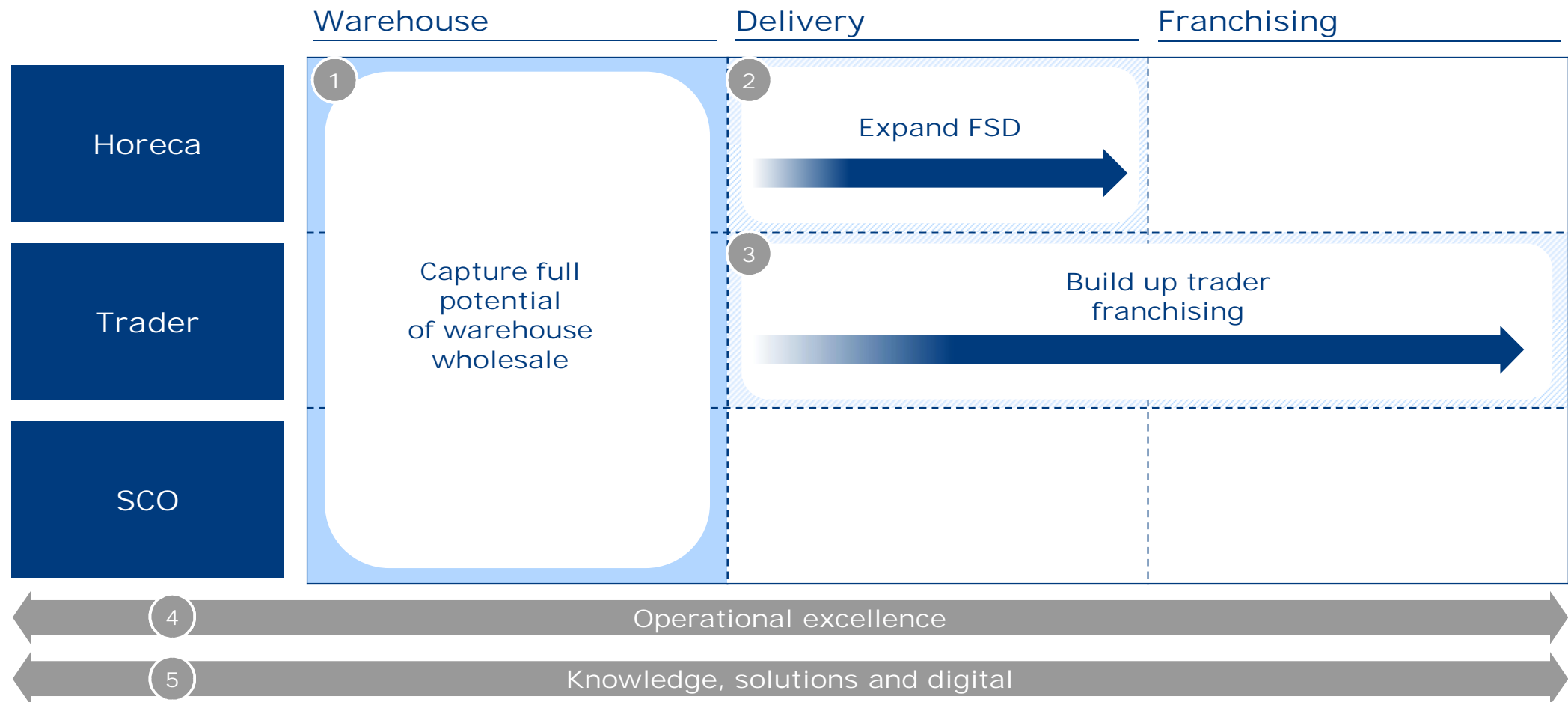


Two examples of NPS-induced changes





# STRATEGIC VALUE LEVERS



# VCP IMPACT



## Key Customer Focus

Growth in Horeca target group +4.1%

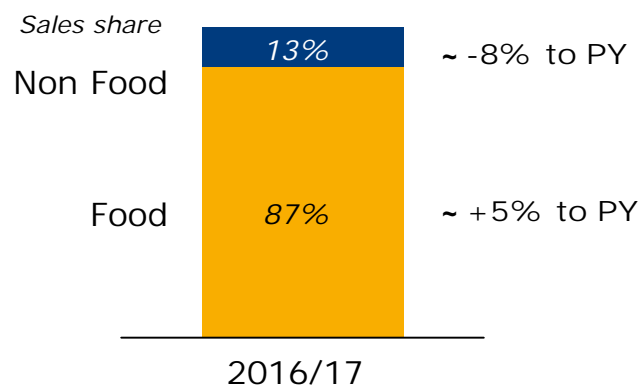
Growth in Trader target group +5.7%<sup>1</sup>

## Restructuring progress

Full store portfolio review

10 headquarters restructured

## Assortment review in all countries



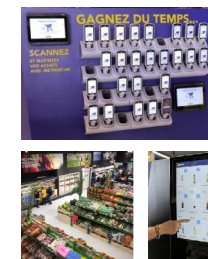
## Expansion / innovative concepts

13 NSOs in 2016/17

Innovative formats

Average size of NSOs  
~3,000 sqm

Localized remodeling



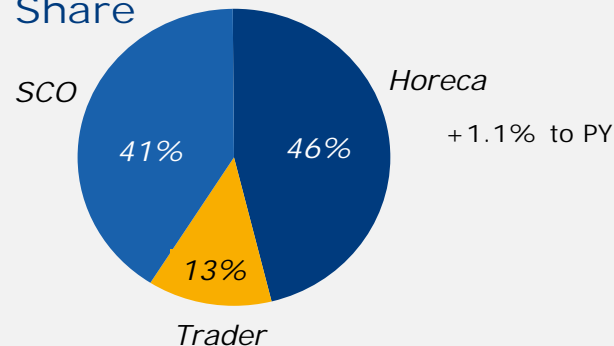
<sup>1</sup> Trader countries: Romania, Poland, Moldova, Ukraine

# METRO GERMANY: BECOME #1 MARKETPLACE FOR THE GASTRONOMY

## Status 2016/17

LfL: -2.6%  
Sales: €4.7bn  
EBIT: €20m  
EBIT margin: 0.4%

## LfL Sales Share



## Network

104 stores / 7 depots

## Activation

EEI: 55 (PY 50)  
NPS: ongoing roll-out

## Key initiatives of the year...

- Market- /Customer analysis with full focus on Horeca
- Selected assortment and format adjustments
- Regional sales force approach
- Community building by various events
- Professionalization of FSD (4 Delivery Hubs opened)
- Nation wide digital activities

## ...and what to expect in 17/18

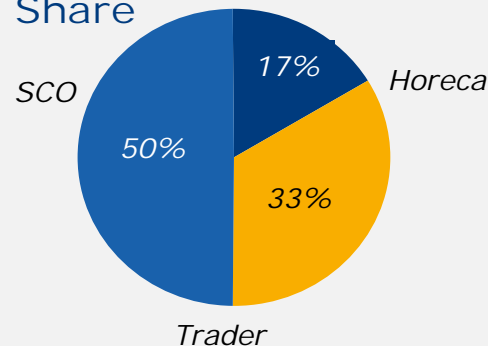
- Refined "go to market" approach
- Additional services for Horeca customers
- Strengthen digitization of our core business
- Continued cultural transformation
- Ongoing portfolio optimization
- Redesign of supply chain network

# METRO RUSSIA: THE CHAMPION FOR INDEPENDENT BUSINESSES

## Status 2016/17

LfL: -3.1%  
Sales: €3.4bn  
EBIT: €292m  
EBIT margin: 8.7%

## LfL Sales Share



## Network

89 stores / 2 depots

## Activation

EEI: 85 (PY 80)

NPS: rolled out

## Key initiatives of the year...

- Franchise model successfully implemented
- Cost efficiency further improved
- Very strong customer relationships further enhanced though 7<sup>th</sup> METRO Expo (19.5k visitors) and Megustro (4.3k visitors)
- Strong progress regarding FSD
- New platform opened in St. Petersburg

## ...and what to expect in 17/18

- Expand METRO's presence as partner for SMEs
- Regional support programs
- Further intensify Franchise business
- Expand FSD upgraded delivery infrastructure
- New capex-efficient store format
- Digitization of SMEs

# FSD GLOBAL STRATEGY - LOCAL EXECUTION

METRO's delivery strategy takes advantage of the strong international presence and reach. Utilization and optimization of current assets enabled rapid growth and provides a platform for more. Dedicated depots are implemented in selected situations.





# FSD GLOBAL STRATEGY – M&A

## Recent acquisitions



Above plan in sales and EBITDA  
Support along the entire value chain  
Synergy in purchasing and assortment



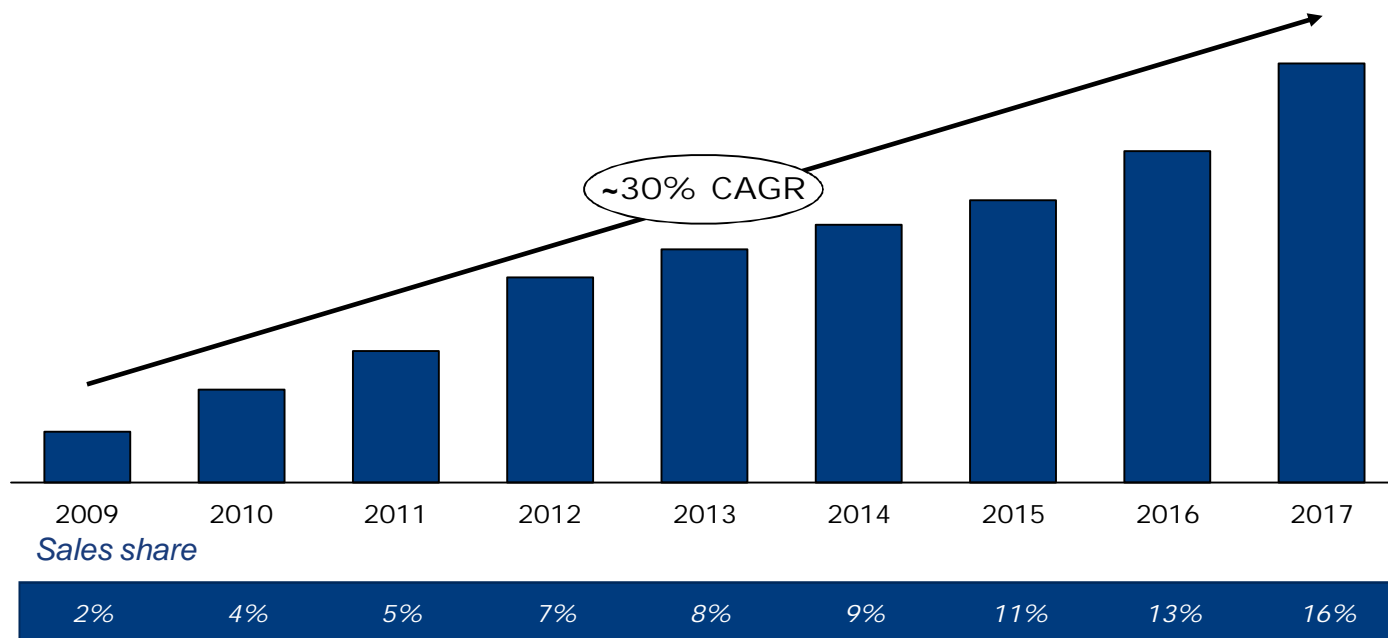
20 daily tours for METRO Germany FSD  
Growing market position in Central Europe premium Horeca  
Building internal logistic player to serve German FSD business  
Ongoing competence sharing with HoReCa countries



Solid double-digit top line growth  
Building on growth in megacities  
Cooperation with METRO on selected categories  
Upgraded depots in selected countries

# FSD GLOBAL STRATEGY - AMBITION

Delivery sales  
(including M&A)



New Target: minimum 20% of sales by 2020

# DIGITIZATION OF THE HORECA SECTOR

## Discovery 2013-2014

## Feasibility 2015-2017

## Scale 2018-onwards

- § Analysis of value creation opportunities through digital tools
- § Selective engagement in digital solutions

- § Support for the development of new digital solutions for the HoReCa sector in collaboration with TechStars
- § Development of own solutions
- § Investment in advanced solutions
- § Pilot installation in 5 Metropolitan cities

- § Build the community
- § Scale solutions
- § Enhance the business of SMEs



# OUR AIM: TO BUILD THE LARGEST DIGITAL HORECA COMMUNITY

The METRO logo consists of the word "METRO" in a bold, yellow, sans-serif font, centered within a dark blue rectangular background.

- A leading international player in wholesale and FSD with a presence in 35 countries
- 21m Buying Customers
- Significant REACH  
>60% in Germany and other Western European Markets
- Established and strong relationships to SMEs
- 759 stores + ~ 7,000 Sales Force members
- Efficient and effective platform for Customer Acquisition



## DIGITAL CLUB

- The largest digital Horeca community in the world
- Clear target for activation of Digital SMEs

2018: 50k members

2020: 500k members

# 04 STRATEGY REAL

# REAL – REDEFINITION OF BUSINESS MODEL

Combination of outstanding assortment diversity and high quality with stronger emphasis on service, experience and multichannel sales approach.

## Real Food Lover

- Significant sales growth in all product lines
- 30% more customer visits
- Start roll-out Braunschweig in 2017/18

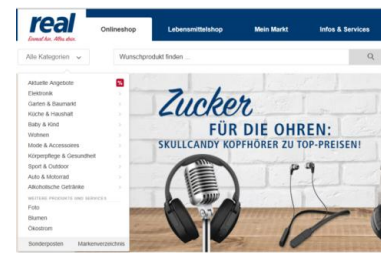
## New image campaign

- Remodeling of 14 Real Stores to new design
- Assortment review; 70% food target
- Own brand upgrade: 4,000+ SKUs will be given a new, high-quality design over time



## Online

- Very large assortment of more than 12m SKUs
- Cooperation with more than 4,000 merchants
- Gross merchandise value growth of >120%
- Pick-up rate c. 10%
- 1.4% of total sales; 7.5% of total non-food sales
- Online Groceries in 10 cities in Germany
- No captive activity on last mile



# REAL – EFFICIENCY MEASURES

## Buying Cooperation: RTG

- Foundation of RTG ('Retail Trade Group') with 5 other German retailers in April 2017
- Purpose of bundling central functions to create synergies
- Ongoing cooperation in all areas (e.g. purchasing, logistic, IT)
- Negotiations finalized with more than 1/3 of suppliers
- Final implementation by 2019/20



## Tariff Negotiations

- Agreement between German trade Union ver.di and Real (July 2016) to establish competitive salary structures
- Negotiations on-going; in case of successful negotiations: settlement targeted for spring 2018
- Next negotiation round planned for January 2018

## HQ restructuring:

- Special items incurred in 2016/17
- Progress in line with plan; finalization in 2018

# 05 STRATEGY REAL ESTATE



# REAL ESTATE: SUSTAINABLE VALUE CREATION

Real estate is an integral part and enabler of our long-term strategy  
Project Development as key lever to deliver recurring benefits

Project  
development  
track record...



FY 2016/17

Hongkou



EBIT gain ~€80m

- § Closing of a Junior store, reopening City store format in vicinity
- § Opening of new MCC store 2020/2021 in developed complex

Chengdu



EBIT gain ~€30m

- § Continuous operation of current MCC store during construction until Q3 2020
- § Opening of new relocated MCC store 2020/2021 in developed complex

...strong project  
pipeline

- § Defined list of potential projects (~5 years for redevelopment project incl. construction phase)
- § Focus on delivering sustainable real estate value creation while strengthening the operational business

# 06 OUTLOOK



# OUTLOOK FOR 2017/18

## Guidance<sup>1</sup>

- Mid-term ambition confirmed

	FY 2016/17	FY 2017/18
Sales growth in local currency	1.1%	≥1.1%
LfL growth	0.5%	≥0.5%
Rep. EBITDA <sup>1</sup> excl. real estate gains	€1,436m <sup>2</sup>	c. 10% growth

## Additional comments for 2017/18

- Delivery: continued double-digit growth
- New stores: slightly more than 2016/17 (>13); focus on emerging markets
- Real estate gains: ~2016/17 level (€175m); across segments
- Net financial result: c. -€200m
- Tax rate (reported): ≤40% (46.9% in 2016/17)
- EPS (reported): c. 30% increase (€0.89 in 2016/17)
- Capex (FCF definition): c. €700m
- FCF conversion: 50-60%

<sup>1</sup> At constant FX and before portfolio measures

<sup>2</sup> Reported EBITDA 2016/17 of €1,611m less €175m of real estate gains

# FINANCIAL CALENDAR

## Financial calendar

- 15 January 2018 – Trading Statement Christmas Quarter 2017/18
- 13 February 2018 – Q1 Quarterly Statement 2017/18
- 16 February 2018 – Annual General Meeting
- 15 May 2018 – H1/Q2 Financial Report 2017/18
- 2 August 2018 – 9M/Q3 Quarterly Statement 2017/18

## Q&A



Olaf Koch, CEO



Christian Baier, CFO

METRO