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:// 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 WHOLESALE**
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 multichannel 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

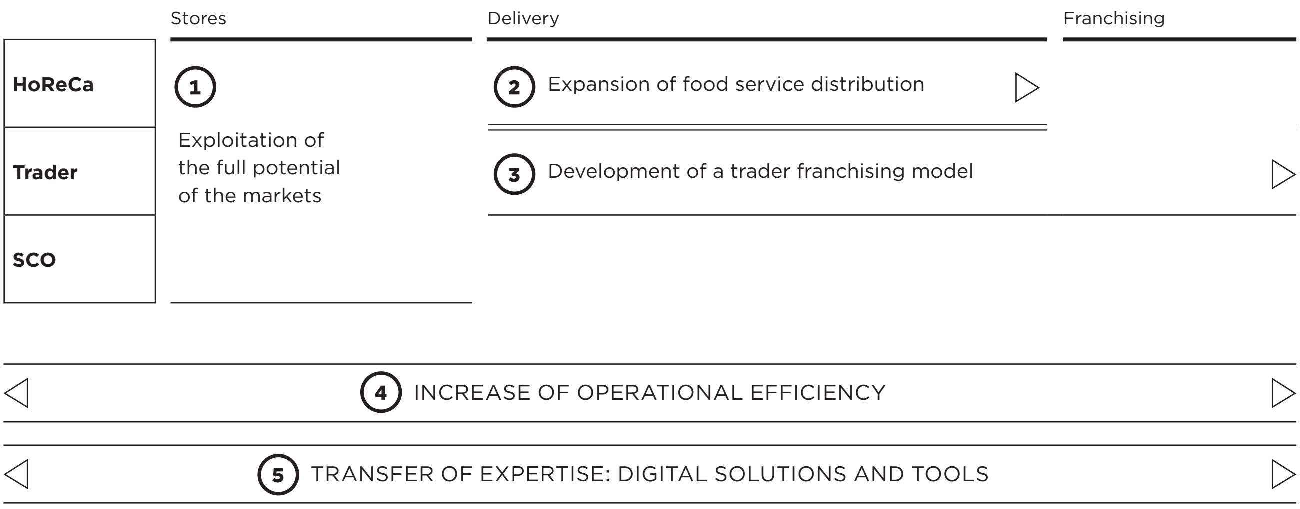
Our goal is to improve our customers' competitive advantage to make them more successful. Most of our wholesale customers are small and medium-sized companies and sole traders. We want to help them better master their business challenges by supplying long-term solutions with superior added economic value. 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.

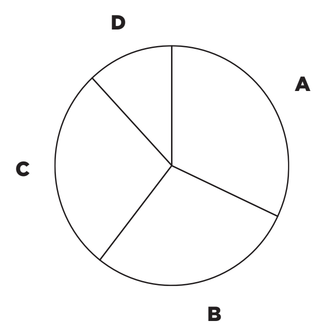
The reported sales in the **international business** increased by 3.7% to €25.2 billion. This is especially due to the opening of new stores and the acquisition of Pro à Pro. Currency effects also played a part. International sales rose by 3.0% in local currency. Like-for-like sales increased by 1.6%. 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.

| | | | | Change | |
|---|---|---|---|---|---|
| | | 2015/16 | **2016/17** | 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 derivated 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 | € | **0.70**[1] |
| | Preference shares | € | **0.70**[1] |
| Dividend yield | Ordinary shares | % | **3.9**[1] |
| based on closing price | Preference shares | % | **4.2**[1] |
| 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

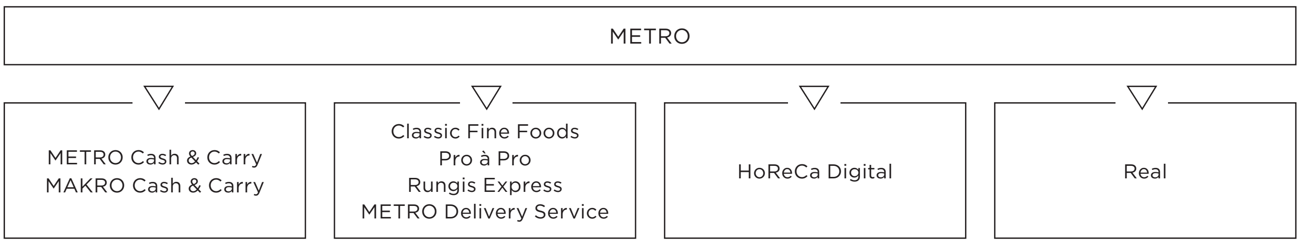
METRO is a leading international specialist company in the wholesale and food retail sector. The ultimate parent company is METRO AG, which acts as the central management holding company. It performs group management functions, particularly in the areas of finance, controlling, legal and compliance. 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** | | | **288**[2] | **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** | | | **650**[2] | **655** |
| **METRO** | **752** | **759** | **285** | **282** | **1,041**[2] | **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 WHOLESALE

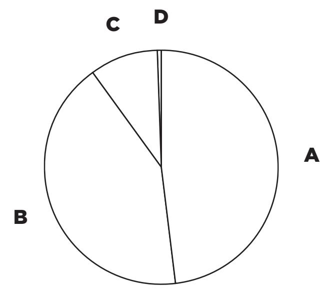
The METRO Wholesale segment comprises both the stationary business (METRO Cash & Carry) and the delivery business (food service distribution).

**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.

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 WHOLESALE 2016/17**
**by clusters**




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

**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.

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**

| | | | Change in % compared with the previous year's period | | | |
|---|---|---|---|---|---|---|
| | 2015/16 € million | **2016/17 € million** | 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 m²) | 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 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**

| | 2015/16 € million | **2016/17 € million** | Change in % compared with the previous year's period: 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 "Gastrocockpit", 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.

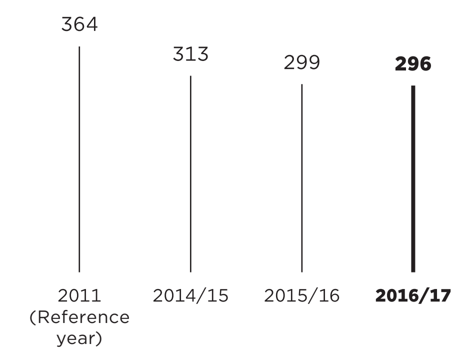
**Commitment to our employees**

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 $CO_2$ ($CO_2$-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**

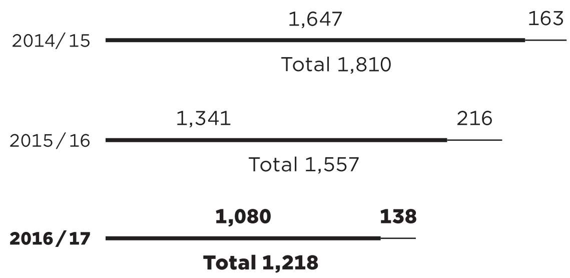
In our procurement activities, we strive to purchase high-quality and safe products that are socially acceptable and environmentally safe. This provides the foundation for a sustainability-focused management of our assortment. As a retailer, our business also depends on the long-term availability of 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.

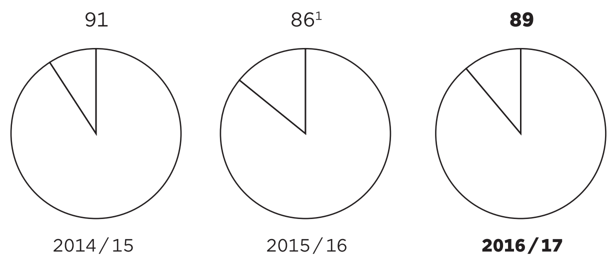
**SOCIAL AUDITS RELATING TO OWN IMPORTS BY METRO SOURCING AND NON-FOOD OWN BRAND PRODUCTS OF THE METRO SALES LINES**

**as of the closing date of 30/9**

**Factories with a valid audit (number)**




**Thereof with passed audit (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.

**thereof with passed audit**
**thereof with failed audit**

[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** |
| **USA[2]** | **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 | **1.39**[1] | **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 STATEMENT[1]
## 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 | **0.70[4]** | – |
| Dividend per preference share | € | 0 | 0 | **0.70[4]** | – |
| 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 m²) | | 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.

# INFORMATION

**Publisher**
METRO AG
Metro-Straße 1
40235 Düsseldorf, Germany
PO Box 230361
40089 Düsseldorf, Germany

**METRO on the internet**
www.metroag.de

**Investor Relations**
T +49 211 6886-1051
F +49 211 6886-490-3759
investorrelations@metro.de

**Corporate Communications and Public Policy**
T +49 211 6886-4252
F +49 211 6886-2001
presse@metro.de

**Project lead, concept and editorial**
Katharina Meisel

**Project management**
Katrin Mingels
Inga Reske
Viktoria Rous

**Graphic design**
Strichpunkt GmbH,
Stuttgart/Berlin, Germany

**Editorial support and realisation**
Ketchum Pleon GmbH,
Düsseldorf, Germany

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**Photography**
Urban Zintel:
pp. 2, 4–7, 9–19, 21–29, 38–53
Hartmut Nägele:
pp. 2 (Olaf Koch), 3, 5 (Olaf Koch), 7 (Olaf Koch), 30–37, 58
iStock:
pp. 7 (sprout), 23 (sprout), 24 (potatoe)

**Illustration**
Elisabeth Moch:
pp. 6, 20

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# FINANCIAL CALENDAR 2017/18

## 15/01/2018
**Trading statement Christmas quarter 2017**

## 13/02/2018
**Quarterly statement Q1 2017/18**

## 16/02/2018
**Annual General Meeting 2018**

## 15/05/2018
**Half-year financial report H1/Q2 2017/18**

## 02/08/2018
**Quarterly statement 9M/Q3 2017/18**

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