



MORE

THE METRO CONDENSED REPORT 2016/17

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

METRO

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



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

OK

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

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

OK

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

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

OK

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

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

OK

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





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

Are you worried about new online competitors in food retail?

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

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

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

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

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

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

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

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

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

OLAF
KOCH





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

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

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

How important are innovations within METRO in this regard?

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

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

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

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

What impresses you most about the staff at METRO?

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

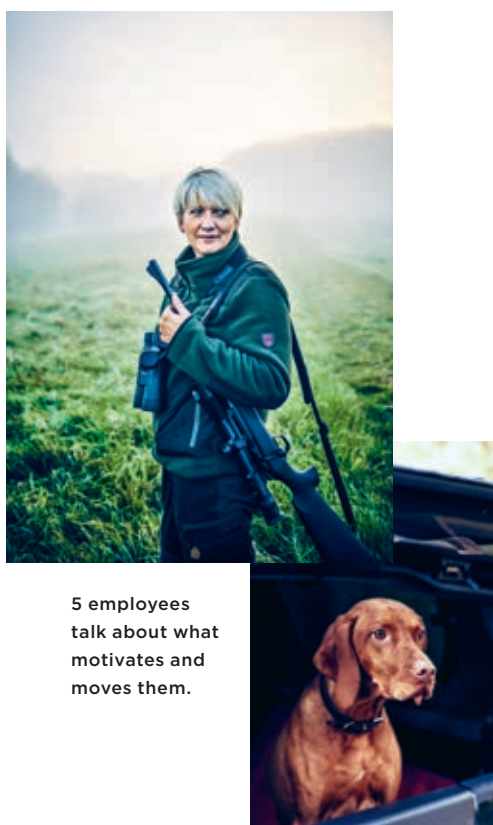


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In India, for example, where METRO has more than 1.8 million operators of small stores as customers.

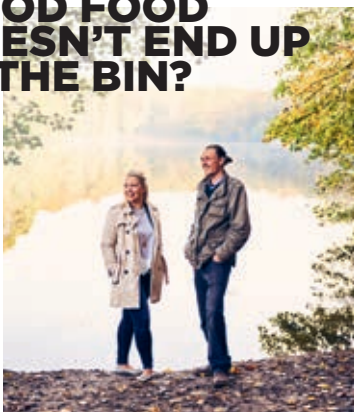
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Facts and figures on financial year 2016/17.

WHO IS
BEHIND
THE NEW
METRO?

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

HOW CAN



CHALLENGES BE OVERCOME?

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

**Frank
Groß**

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

**Boris
Kalesse**

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

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

WHAT IS THE KEY

TO WINNING?



WHAT MAKES



CUSTOMERS HAPPY?

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

**Jochen
Wolfgramm**

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

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



HOW
IMPORTANT
IS IT

TO TAKE
RESPONSIBILITY?

Monika
Lauer-Reiter

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

WHY IS IT WORTH

BEING OPEN TO NEW THINGS?



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



**WHY IS
LOCAL
PRODUCE SO
OFTEN
SO**

GOOD?



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



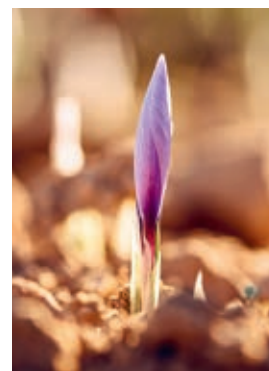
It is nearly 11 o'clock and the sun shines bright from the clear blue sky. A purple glimmer lies over the crocus fields. Between the precisely planted rows of flowers, around 15 people are helping with the harvest. Stooping, the women and men carefully pluck the delicate flowers and place them in a brown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

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

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

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

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





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





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



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



F

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

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

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

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

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

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

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



ALMA MAKRO – DOING THINGS WITH LOVE

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

WHAT MAKES WORKING WITH LOCAL PRODUCERS WORTH IT?

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



CROATIA

Boškarin cattle

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



BULGARIA

Pink tomatoes

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



MOLDOVA

Local winegrowers

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

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



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

67.1%

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

29.1%

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

3.8%

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



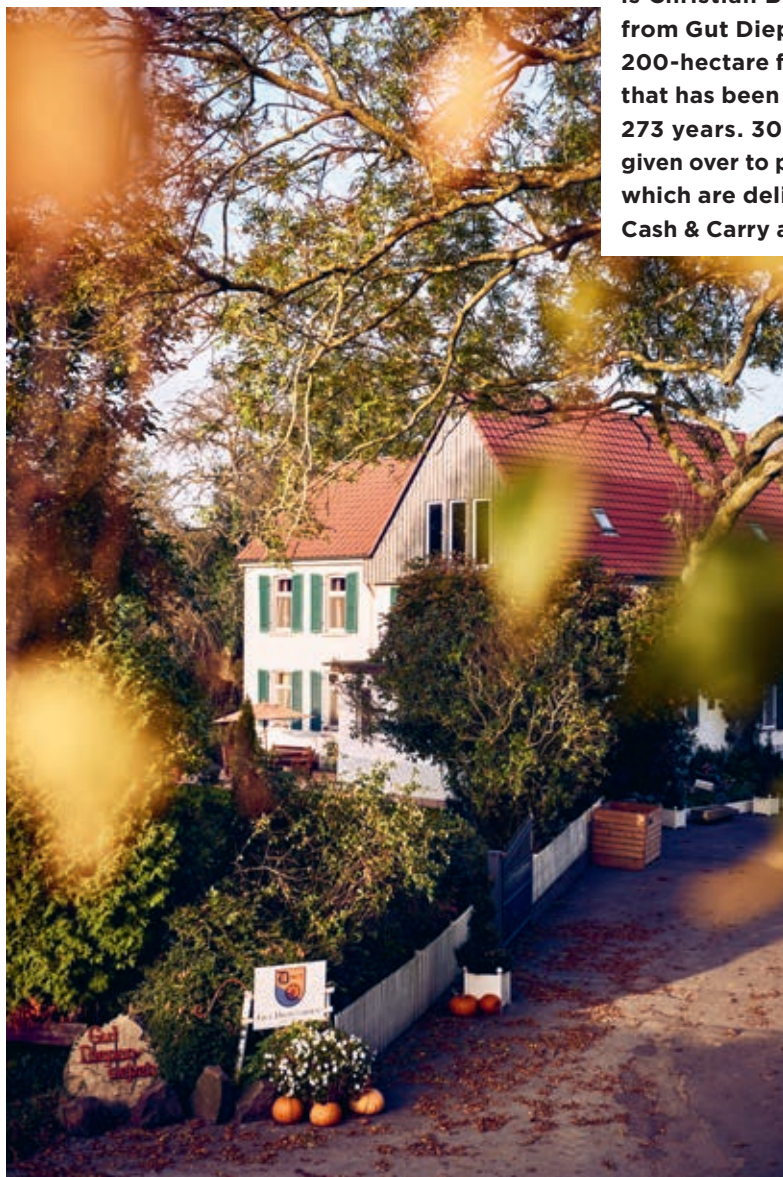
¹ Not all products in the system are labelled with a country of origin. The calculation takes into account only items for which a country of origin has been entered.

WHERE DO THE SALES DRIVERS IN GERMAN FOOD RETAIL COME FROM?

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

WHERE DO

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



POTATOES COME FROM?



1

Field

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



3

Packaging and loading

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

2

Harvesting and sorting

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



④

Transport

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



6°C

is the optimal storage temperature.



⑤

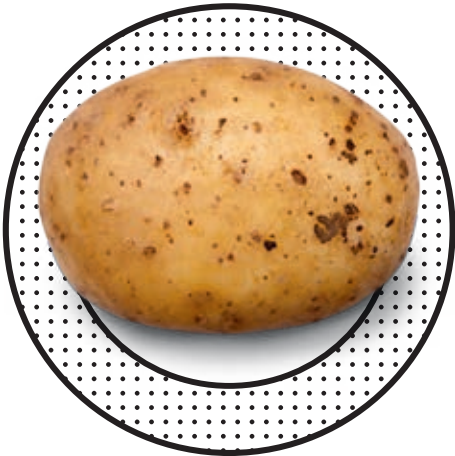
Arrival at the store

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



56.8kg

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



⑥

On sale

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



CHRISTIAN
BENNINGHOVEN

WE EAT POTATOES EVERY DAY - SOMETIMES EVEN TWICE.



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

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HOW

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

**INDUSTRY
?**





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

D

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

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

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

MARC STRATMANN





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



M

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

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



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

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

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

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



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

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

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

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

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

MARC
STRATMANN

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



WWW.FRAG-PAUL.DE
HOSPITALITY.METROACCELERATOR.COM

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

**WHAT
DOES**

**THAT
MEAN**

EXACTLY?

ALEXANDRA GREENTREE

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

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



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

**WHAT IS
METRO**

DOING

**TO ENCOURAGE
MORE
RESTAURATEURS
TO EMBRACE
THEM?**

LUDWIG HORN

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

A portrait of Christian Baier, a man with short dark hair and glasses, wearing a white button-down shirt. He is looking directly at the camera with a slight smile. The background is a blurred office interior with circular light fixtures.

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

A woman with blonde hair and glasses, wearing a blue long-sleeved shirt, a dark blue quilted vest, and tan pants, stands in a greenhouse. She is holding a pair of red-handled pruning shears. To her right, a white dog with brown spots sits on the ground. The greenhouse is filled with rows of potted plants with autumn-colored foliage. The floor is covered with fallen leaves.

WHY DOES METRO PLACE A HIGH VALUE

ON LONG-TERM PARTNERSHIPS WITH LOCAL FARMERS?

UTE SANDER

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

A portrait of Pieter C. Boone, a middle-aged man with light brown hair, wearing a dark blue suit jacket over a light blue button-down shirt. He is smiling slightly and looking directly at the camera. The background is a blurred outdoor setting with green foliage and a white pillar.

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

PIETER C. BOONE

Chief Operating Officer

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

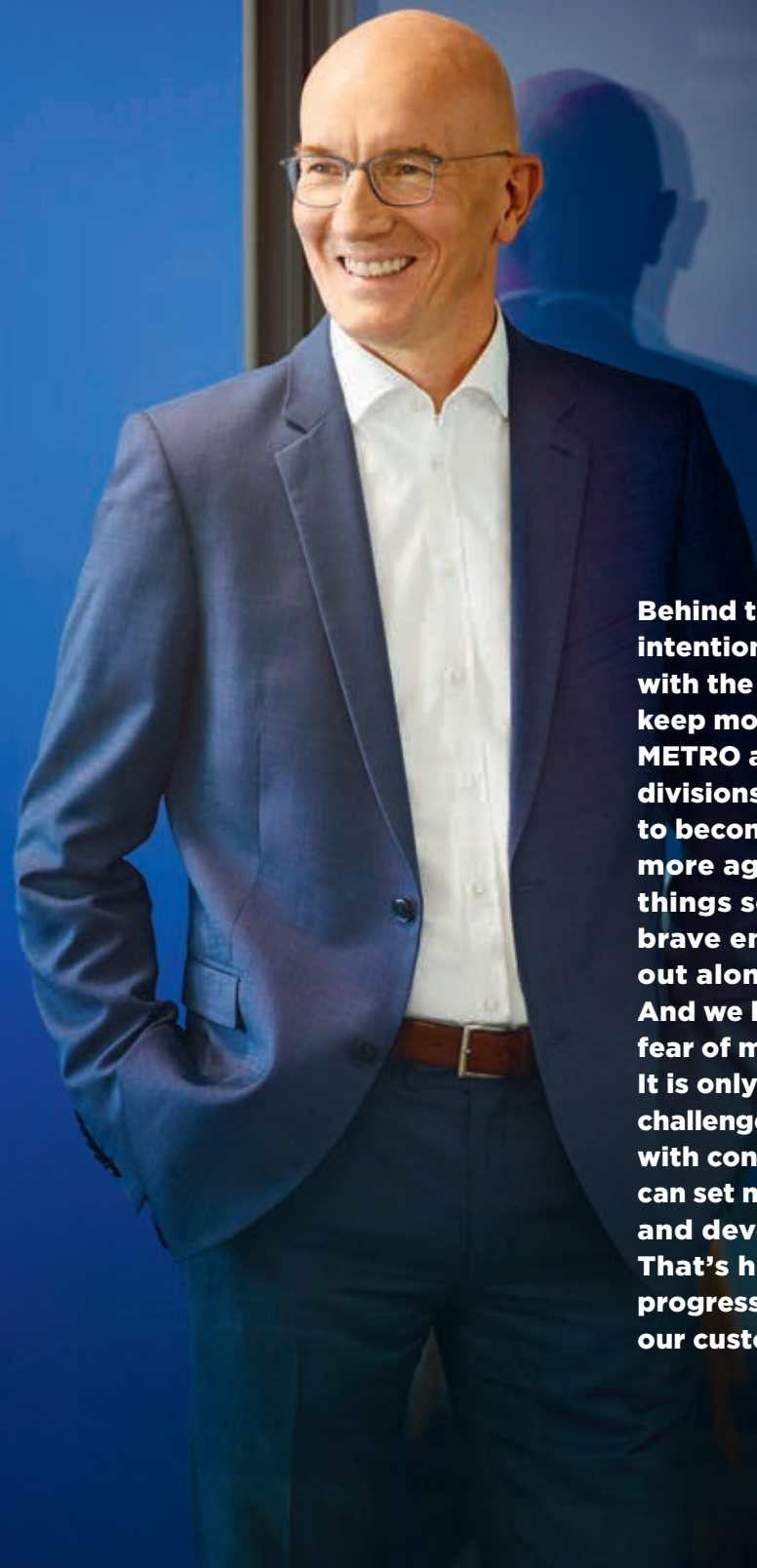
WHAT

**DOES THAT
MEAN**

FOR US?

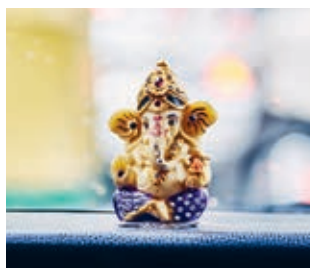
TIMO SALZSIEDER

Chief Solution Officer / Chief Information Officer METRO AG



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

WHERE



ARE THE GROWTH MARKETS

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

OF THE FUTURE?





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



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



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

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

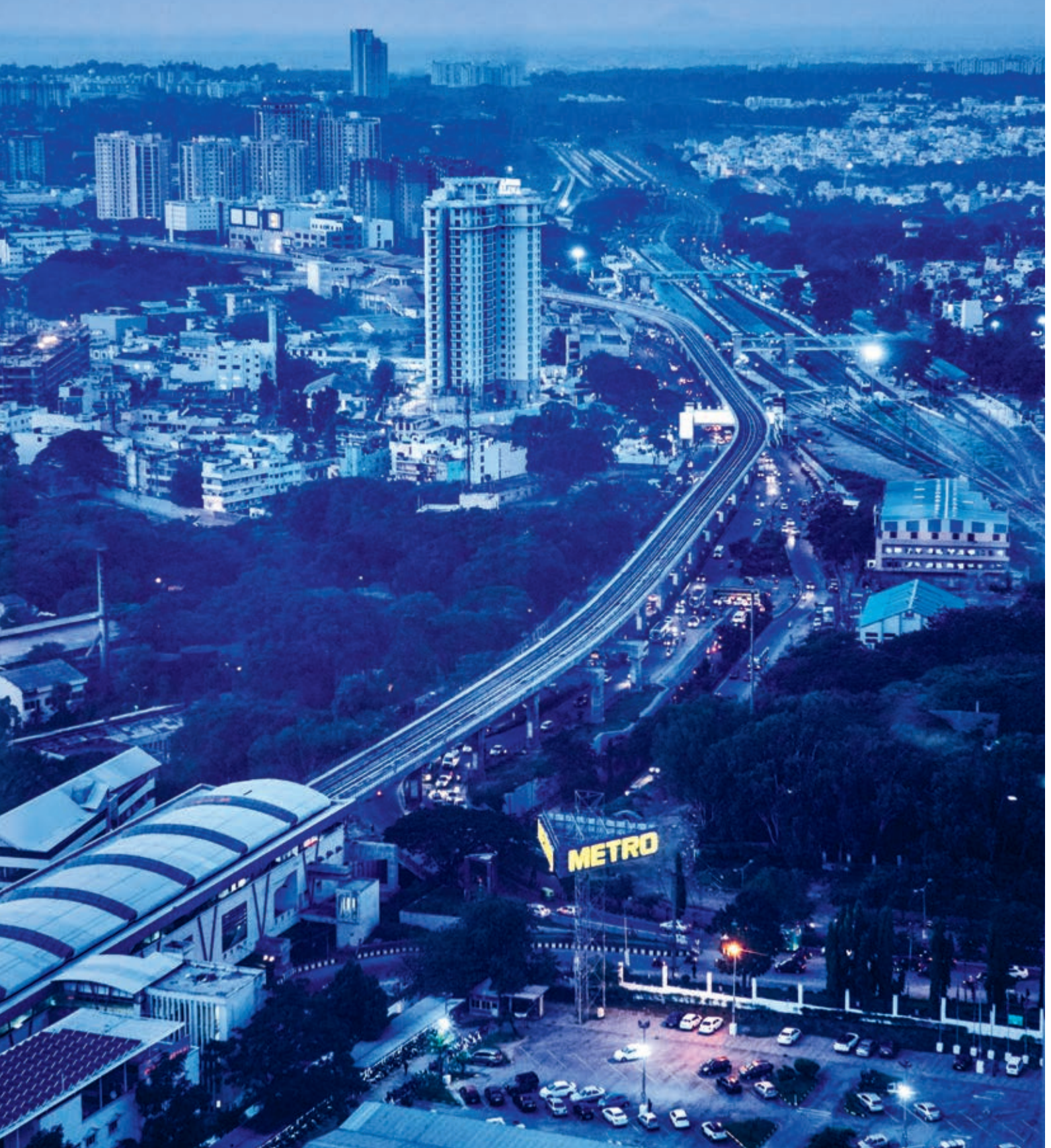


For Arun P., METRO Cash & Carry India is a reliable partner with a comprehensive product range - and free parking right in front of the store.





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



1

Innovation culture

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

2

Management focus

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

3

Networking

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

4

Institutionalisation

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

5

Customer centricity

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

6

Support programmes

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

7

Start-up partnerships

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

8

Academic partners

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

WHAT ARE THE INGREDIENTS OF INNOVATION?

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





WHO IS RESPONSIBLE FOR ENSURING

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

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

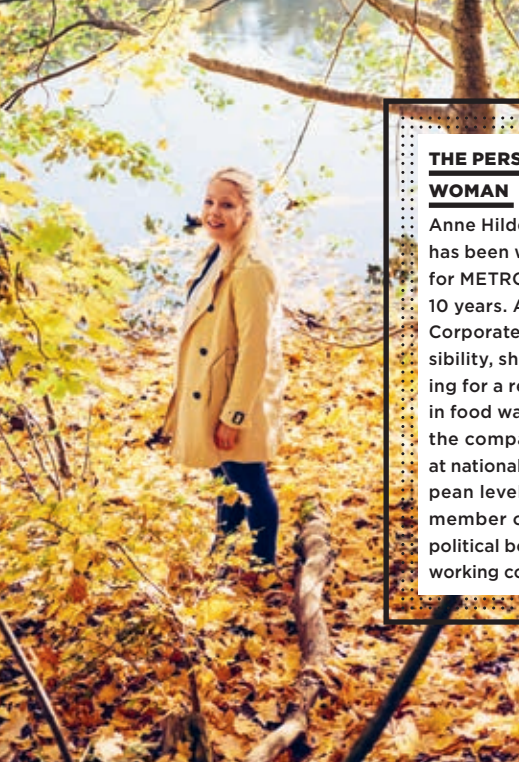
VIDEO:  WWW.METROAG.DE/MORE/FOODWASTE

A

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

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

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



THE PERSEVERING WOMAN

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

M

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

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

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

What can industry and society do about this?

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

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

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

What else is METRO doing?

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

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

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

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

What makes SirPlus different?

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

What are your own food habits?

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

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



THE PIONEERING MAN

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



WWW.SIRPLUS.DE

WE NEED TO VALUE FOOD AGAIN.

RAPHAEL FELLMER

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



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

ANNE
HILDEBRAND

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



In Germany
there are around
11,100
hotels,

73,400
restaurants and

13,300
catering
companies.



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

HOW CAN WE SECURE THE FUTURE OF GOOD SERVICE?

M

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

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

1 Gastrocockpit:

management software for continuously recording and analysing all key business indicators

2 Free website:

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

3 Frag Paul:

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



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

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



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

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

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

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

WHY DOES FOOD NEED TO BE AVAILABLE ONLINE?

SIMPLE AND CONVENIENT



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

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



**CONTEMPORARY
AND
DYNAMIC**

**FAST
AND
FLEXIBLE**



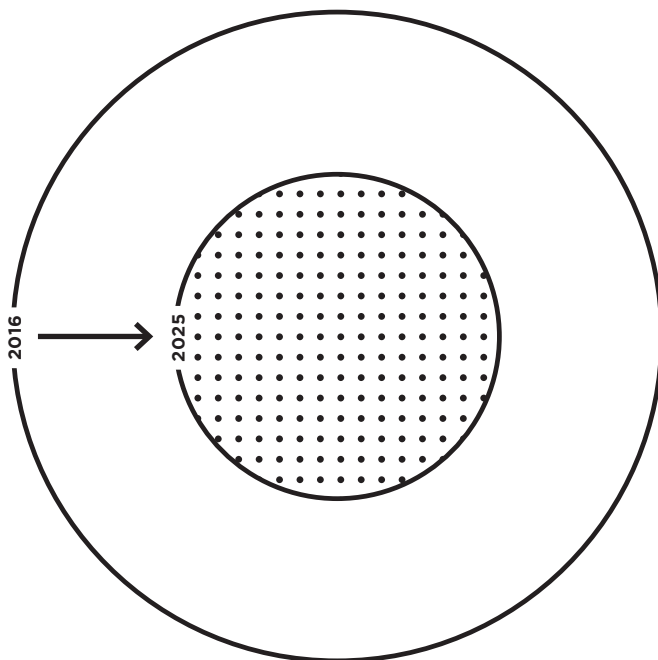
Thursday 6 p.m. The meeting at work is running late again. You have to finish a presentation for tomorrow and your in-laws are coming at the weekend. So will you have to spend your Friday evening shopping instead of going to the gym? Thanks to the real.de app you can quickly order all the food you need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

HOW MANY LOCATIONS ARE THERE AROUND THE WORLD?

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

HOW SUSTAINABLE IS METRO?

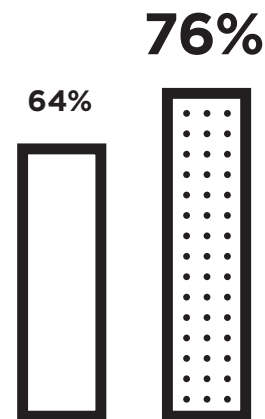
-50%



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

WHAT MAKES METRO SUCCESSFUL?

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



HOW ENGAGED ARE STAFF?

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

WHO BENEFITS FROM THE COMPANY'S GOODS AND SERVICES?

More than

21

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