



WE ARE ON THE MOVE

METRO

WE ARE ON THE MOVE

THE METRO CONDENSED REPORT

2017
/18



Our world is changing. Digitalisation is creating new rules, disruptive approaches are putting business models to the test and connected customers are setting different relevance benchmarks. Our challenges are becoming more diverse - and so are our opportunities. We are open to new ideas and we are constantly evolving - because you can't generate added value by standing still. We seek out innovative ideas, test new concepts and sometimes take unconventional paths. We are always on the move -



so that we can offer our customers and partners more efficient solutions, make our value chain more sustainable and deliver on our promise as a wholesaler, now and in the future.



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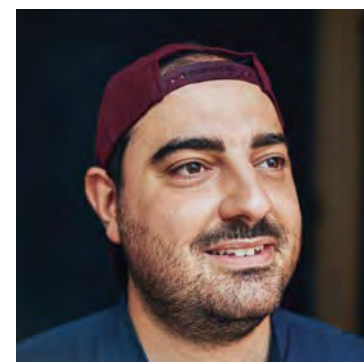
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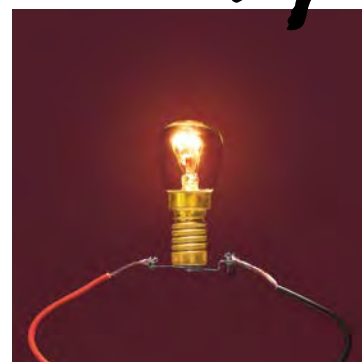
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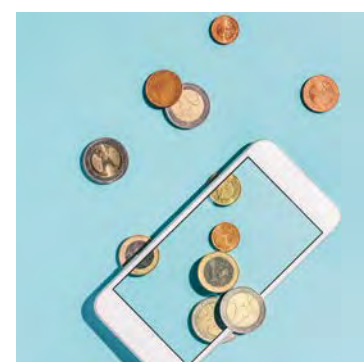
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WE ARE ON THE MOVE

We at METRO like to be on the move – that goes both for our teams and for our Management Board. Because we want to meet the people for whom and with whom we work on a daily basis. Because we want to see where change is necessary and where it is already happening. And because we ourselves are thrilled when we see our joint plans and ideas becoming reality.



OLAF KOCH

Chairman of the Management Board
— in conversation with Gill, restaurateur
and owner of Gill's in Düsseldorf



CHRISTIAN BAIER

Chief Financial Officer
— in conversation with Harald Sachs, Global
Director Corporate Accounting, and Julia
Zimmermann, Director Group Governance





HEIKO HUT MACHER

**Chief Human Resources Officer
and Labour Director**

**— in conversation with Rebecca Schmitz,
Executive Assistant CHRO, and Phillip
Weber, Project Manager METRO AG**



PHILIPPE PALAZZI

Chief Operating Officer

**— in conversation with Michael Widmer,
Managing Director of the Düsseldorf
METRO store**







Independent entrepreneurs make our everyday life more colourful and inspire us with great variety, culinary highlights and their dedication. They embody the colours of liberty. That's why it's a tremendous honour for us at METRO to be a strong partner to them. Their success is our business.

— @METRO_News

MOVING PEOPLE

Interview with Olaf Koch 1/4



② 'We don't work for METRO' is the slogan of the new METRO Wholesale campaign. Who do you work for, Mr Koch? —  Our corporate mission is to do a job for small and medium-sized businesses that goes way beyond the task of a simple wholesaler. We make product ranges available, offer services and solutions and provide advice to make these businesses more successful. We work for the customer. We are committed to meeting their needs, day in and day out. This is where we come from and where we are going as a wholesaler. It's an approach that is not only economically attractive, but also valuable to society - because the ability to experience the diversity, creativity and passion of these millions of entrepreneurs is an asset worth protecting in our society. And that's what I work for - just like all the other over 146,000 METRO employees.

② Many companies pursue a strategy of focusing on customer needs. What makes METRO different and more successful? —  As a wholesaler, we are privileged in that we can engage much more with our customers than if we served a large number of anonymous customers. Unlike retailers, we can generate high nominal sales from a much smaller number of customers, because we have a commercial relationship that results in much bigger purchase volumes. This in turn motivates us to focus far more intensively on individual customers, to build trust and to keep on learning all the time: What can we do? What extra support can we provide? We do this both in our core business and through products and services that used not to be a part of our portfolio.

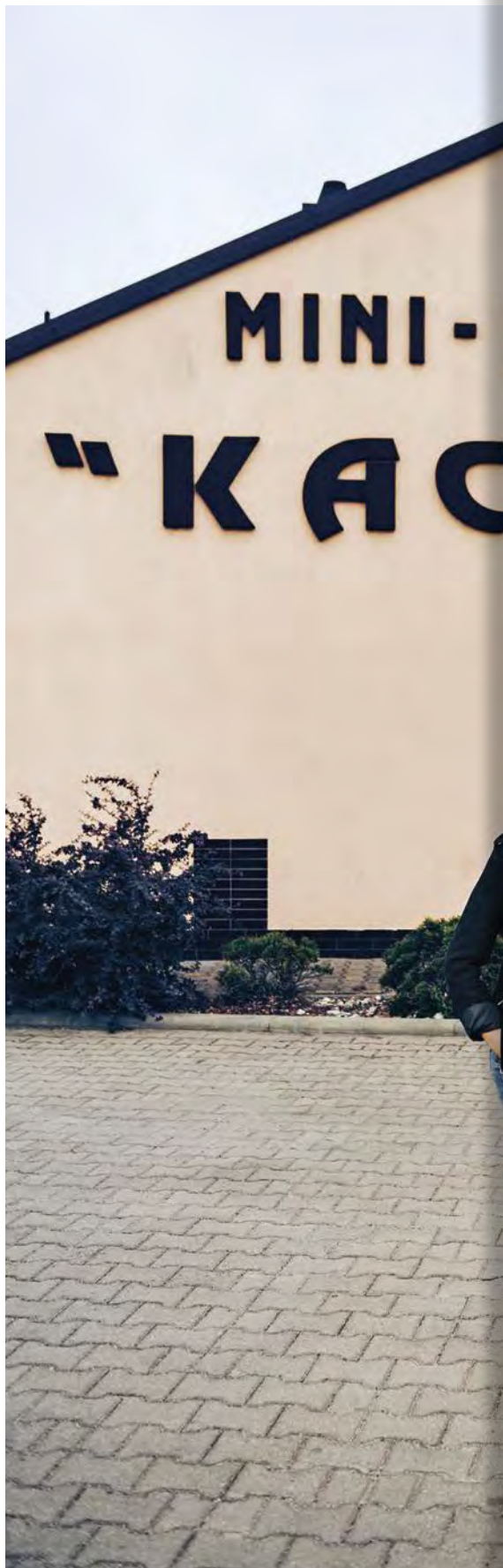
② How does METRO succeed in finding practicable solutions that meet the challenges of independent entrepreneurs and also help METRO? —  We have learnt a lot in recent years. In the past, the focus was more on standardisation on an international scale. Today, the focus has swung almost all the way round to radical localisation. In other words, through our decentralised management model, we focus on our target group in each individual country. The role of the local team is to keep on learning: What needs are there that we are not yet meeting? What trends are coming that will affect our customers in the future? What are the legal challenges that our customers have to master? At the same time, we have to keep taking the helicopter view so that we can see early on how the market environment is developing. This is the only way we can find solutions that will really help our target groups. 



INDEPENDENCE

Edyta Helak was already enthusiastic about trade 🍇 as a child – inspired by her grandmother. This passion  drives her to this day. Edyta now manages 4 shops in the region to the north of the Polish city Poznań and is an entrepreneur through and through: ‘MAKRO and I basically do the same thing – just on different scales.’ 





OPEN NESS

As a sales force employee at MAKRO Poznań, Błażej Górlaga is responsible for trader customers like Edyta 🤝. There's a simple reason why he has such a good rapport 😊 with the independent entrepreneurs: he knows his customers very well 🎯 and is always open to what they have to say.





STRONG PARTNERS

Together, the two of them are an unbeatable team 🙌 and complement one another perfectly: Edyta and Błażej speak on the phone every day 📞 and Błażej visits Edyta in person every Tuesday. They discuss products, placements and prices - and new ideas 💡 for Edyta's shops.

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LOCAL CHAR ACTER



Edyta describes herself as an inveterate optimist 😊. This is one of the reasons people like to come into her shops – not only for the wide product range and the service quality, but also because Edyta ❤️ understands them, responds to their individual needs and takes time for them. This is something we are delighted to support! 👍





How can we make processes more economical, simpler, better?
With the driver app for our METRO drivers, for example. Less effort, less paper,
more transparency in delivery – digitalisation at its best!
—— @METRO_News

MOVING GOODS

Interview with Olaf Koch 2/4



② Food Service Distribution is a strategic growth area for METRO. How much potential do you see here in the future? —  We need both: Food Service Distribution and store-based wholesale. Store-based wholesale is very important and will continue to be so. Our customers like selecting products from us in the store, receiving advice and meeting other chefs and retailers. Wholesale stores are a marketplace for products, but also for expertise and face-to-face encounters. That's something we should never lose sight of.

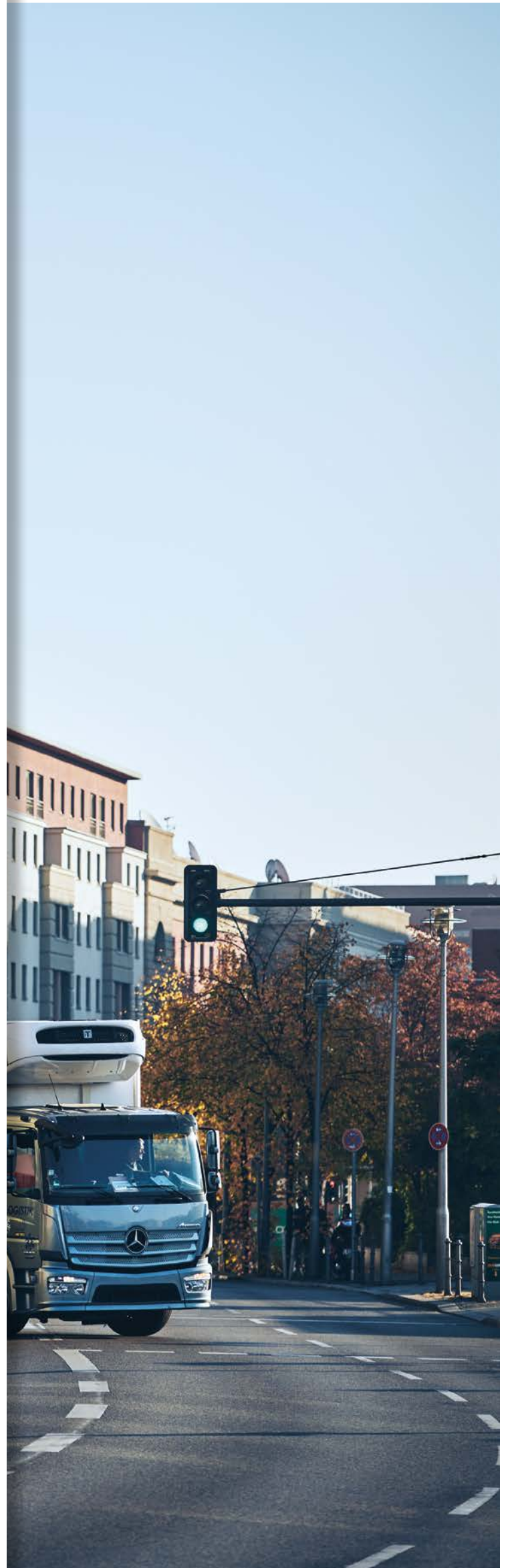
② The fact is, though, that more and more customers also want us to deliver ... —  ... yes, exactly. That's why we launched our delivery service 10 years ago. Sales are already over €5 billion – and we have by no means exhausted the growth potential. We also want to improve our service quality further. The aim is to make our processes and our interaction with customers as easy and efficient as possible, for instance through innovative interfaces and the digitalisation of our customer relationships. Many things are already running very well and we are working hard on further improvements. Ideally, food specialists will choose us because of our product expertise and service quality, but also because they can work with us efficiently thanks to digital tools.

② That means digitalisation is indispensable, even – and especially – for the food delivery service. How far has METRO progressed along this path? —  Digitalisation in the context of delivery starts with the customer and extends as far as our warehouses. Our M-Shop online shop is a tool for interacting with our customers. Processes like order processing and warehouse restocking are already completely digital because we restock for the following day based on stock levels and orders received. Another big step is digitalising the work of our drivers. Our driver app simplifies the administrative work for drivers, cuts transport costs, reduces paper use by up to 50% and makes data more transparent. We will be able to make further improvements to processes on this basis. 



PER FEC TION

👉 **Arne Anker is an incredibly laid-back kind of guy. The Michelin-starred head chef at the Berlin restaurant Pauly Saal delights in serving up fabulous culinary creations. In his kitchen, precision  takes precedence over improvisation. Every hand movement made is perfect. After all, this is a Michelin-starred kitchen. ☆**





AT THE RIGHT TIME

If Arne Anker and his team are to perform at their very best 🏆, all the various processes have to run completely smoothly. This includes goods delivery 🚚 **FAST**. METRO supplies the restaurant with fresh ❄️ produce once a week – reliably, punctually and with the assistance of its own specially developed driver app. 📱





MAKING WHAT'S GOOD EVEN BETTER

Can good hospitality solutions be made even better? Yes, they can . This is something that the experts at METRO-NOM firmly believe. They draw on agile processes, continuously gather feedback and quickly further develop their solutions. 



METRO NO MIANS

**Philip, Paola,
Mohamed and Brent
work in METRO's
technology unit 
METRO-NOM and
are the ones who
actively implement
digital transform-
ation. Within their
teams, they develop
IT solutions for all of
the METRO countries
 and work on
topics such as big
data, personalisation
and augmented real-
ity  - with agility
and self-organisation.**





No one knows the wishes of our customers better than our customers themselves. That's why they are our co-designers in our store planning – testing measures virtually before we put them into practice. Perfect teamwork!

—— @METRO_News

MOVING BOUNDARIES

**Interview with
Olaf Koch
3/4**



? METRO Wholesale sees itself as an omnichannel provider, combining modern wholesale stores with Food Service Distribution. What does that mean exactly for the customer? —  For every product or service we offer our customers, we have to ask ourselves how we can make the shopping experience simpler and more cost-effective, but also more attractive. This means we are constantly testing new technologies in our stores. In our Compact Stores in France, for instance, our customers can pre-order product ranges that aren't available in-store. The products are sent straight from the warehouse and are held for them at the store. In addition, our customers can simplify the in-store checkout process by scanning products themselves. Then all they have to do is validate their purchase quickly at the end and pay. Saving time is an extremely important factor and something that is permanently in our sights.

? Customers helped design the Compact Store concept from the outset using virtual reality. Was this approach effective? —  Definitely. In fact, it proved valuable even before the store became a reality. Thanks to virtual reality planning, we were able to consult our customers at an early stage of the process and optimise the store design accordingly. As a result, we were able to avoid construction errors that we would otherwise probably not have noticed until later. However much thought goes into planning things on paper, they often look different in practice. With VR planning we can let people experience the reality beforehand. We see a huge potential here for future projects as well.

? The new METRO Markets company is working on developing an internet version of the existing cash-and-carry business model. To what extent do online shops and store-based wholesale complement one another? —  At our physical locations we are able to economically offer some 40,000 to 50,000 products. But our customers are looking for a much broader range of products. That's why we set up METRO Markets: to link to suppliers all over the world who offer these products. In other words, we are opening a huge marketplace by giving other retailers access to our customer base of over 24 million commercial customers. This approach lets us expand our product range considerably and gives our relevance another significant boost. 



VIR TUAL REAL ITY

The wholesale store as a computer game – the customer as a co-designer: already at the planning stage, hotel owner and head chef 🍳 Franck Subileau can visit the new store in Alès in the south of France and can contribute his design requests 🪄. This is possible thanks to virtual reality.



A person is shown in profile, wearing a VR headset. The background is a solid red color. The person's face is partially obscured by the headset, and they are looking towards the right.

ANA LOGUE AND DIGITAL

In the age of omni-channel retail, the lines between the analogue and digital worlds  are becoming increasingly blurred. In the so-called phygital world, the trade sector stands out with intuitive technologies that make for the perfect shopping experience . The analogue store  continues to be an integral part of trade.





CO— CRE ATION

Isabel Rudolf-Staubach, Head of Innovation  and Customer Experience at METRO, and Franck Subileau are the perfect co-creation partners. Together with other customers, they developed, tested and designed the Compact Store in Alès entirely with virtual reality  - and this included timely  error correction.





EFFICIENT SHOPPING

Simply scan your customer card  - and bienvenue to the first METRO Compact Store! The store is well organised, the distances from A to B are short and various  technological applications make the shopping  process easier and allow the customers to save time. This is a format with potential.

**METRO
BIENVENUE**

BADGEZ-ICI

**BESOIN
D'AIDE ?**

METRO



In Europe, there are 1.8 million food service businesses with a purchasing volume of around €120 billion. This is no doubt the most exciting industry that largely has yet to be digitalised!

—— @METRO_News

MOVING HOSPITALITY

**Interview with
Olaf Koch
4/4**



② Promoting digitalisation of the food service industry is a key objective for METRO. Where and how are you approaching this? —  We have been working on this issue for years and now have a good understanding of the challenges and opportunities associated with digitalisation for independent food service businesses. To test the economical benefit of digital applications – such as table reservation, inventory management and personnel management apps – we use our project METROpolitan Pilot which comprises over 500 businesses in 5 European cities. We are convinced that with the help of digital tools we can not only increase our customers' sales and profit margin, lower their costs and improve their sustainability, but also reduce tedious time-consuming administrative tasks.

③ That sounds promising – what do food service businesses have to do? —  They have to embrace digitalisation. Our dish.co platform was set up to make the process as pleasant as possible. It has free offers for users and illustrates new possibilities. We hand our customers the key to digitalisation on a plate – with a range of solutions, including a free website and an entry-level tool for online table reservations. In addition, the platform gives food service businesses access to industry-specific information and the possibility to connect with other professionals. In this way, we want to further increase our relevance as a partner to independent entrepreneurs.

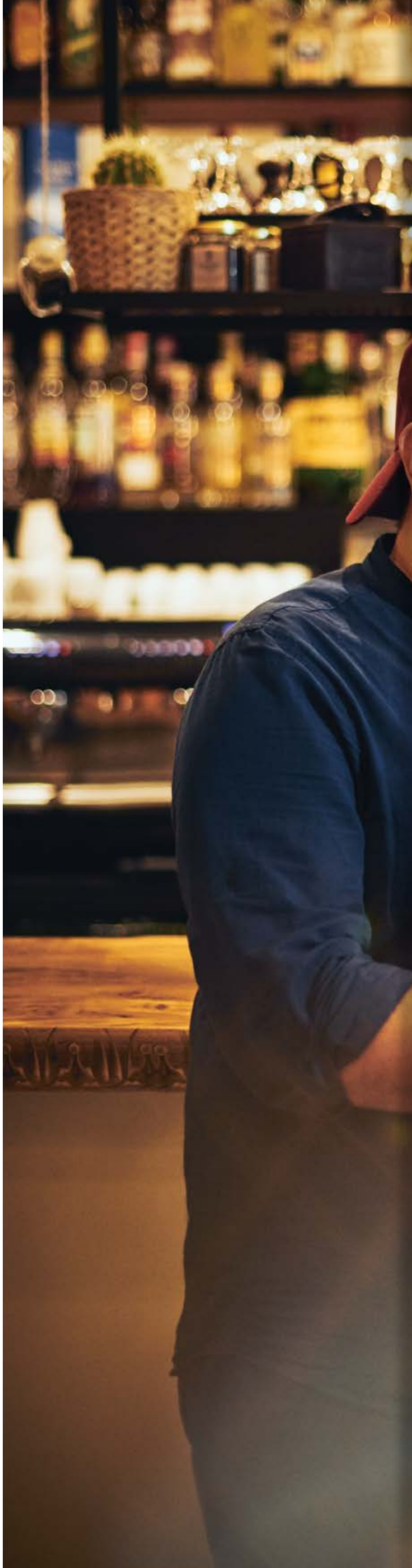
④ What economic advantage does METRO hope to gain from this service? —  As we generate added value for our customers, we expect to expand our business relationships in a positive way. In addition, we anticipate that dish.co will prove an exciting tool for making people aware of METRO and attracting new customers. And we are convinced that we offer an ideal platform for third parties looking to bring digital solutions onto the market. Part of what makes digitalisation so difficult in the food service industry is that the sector is so fragmented. With around 1.8 million food service businesses in Europe, that's 1.8 million doors to be opened and at least as many conversations to be held. It is much more cost-effective to reach this target group through our platform. 



SLOW FOOD

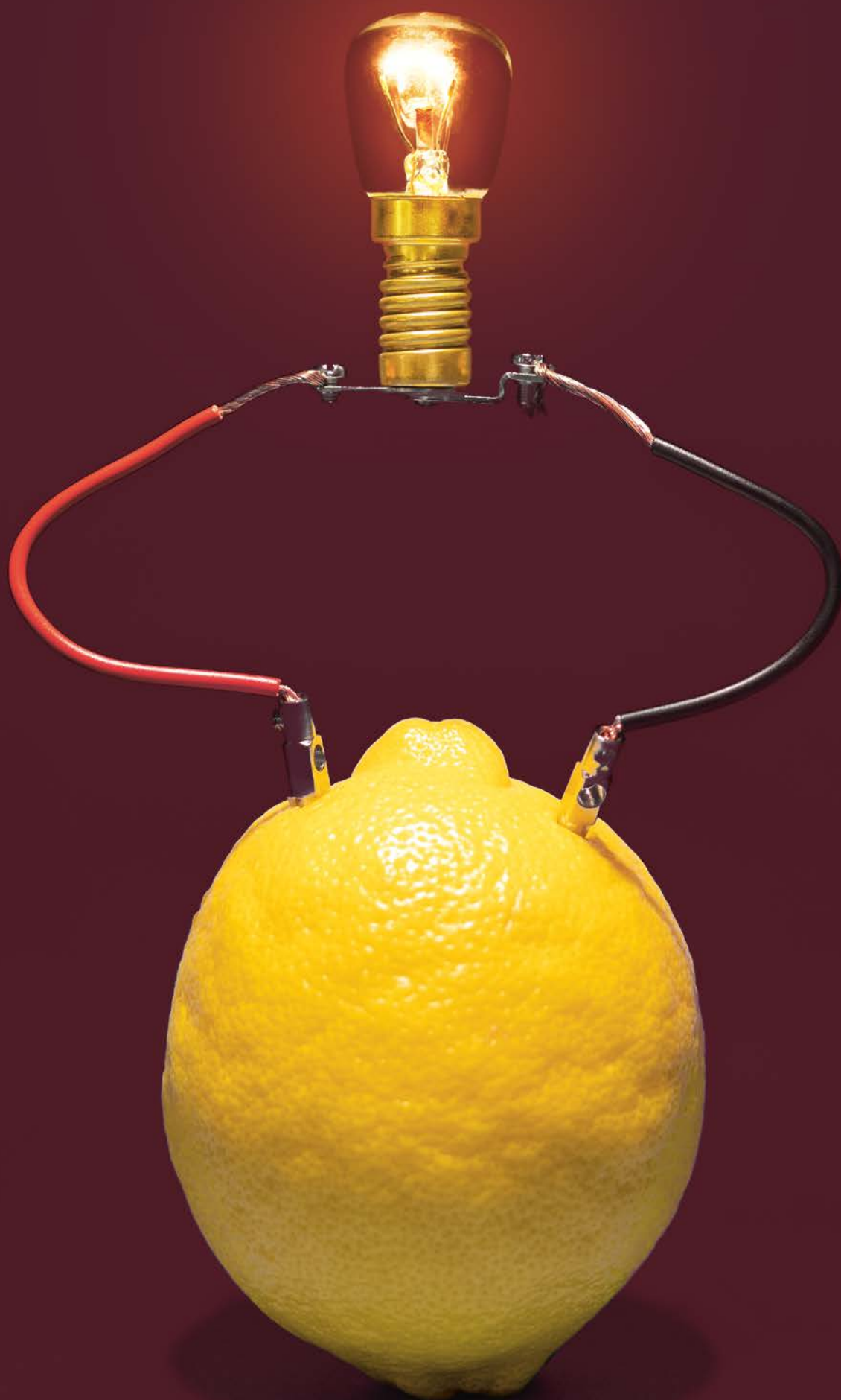
**Opening a restaurant in the heart of Milan calls not only for courage 🏆, but also for a fully developed concept. Luca Rudi-
losso and his co-founder have both. At SlowSud, they serve traditional Sicilian dishes 🍴🍷 – slow food that boasts clever interpretation and digital 📱 support.**

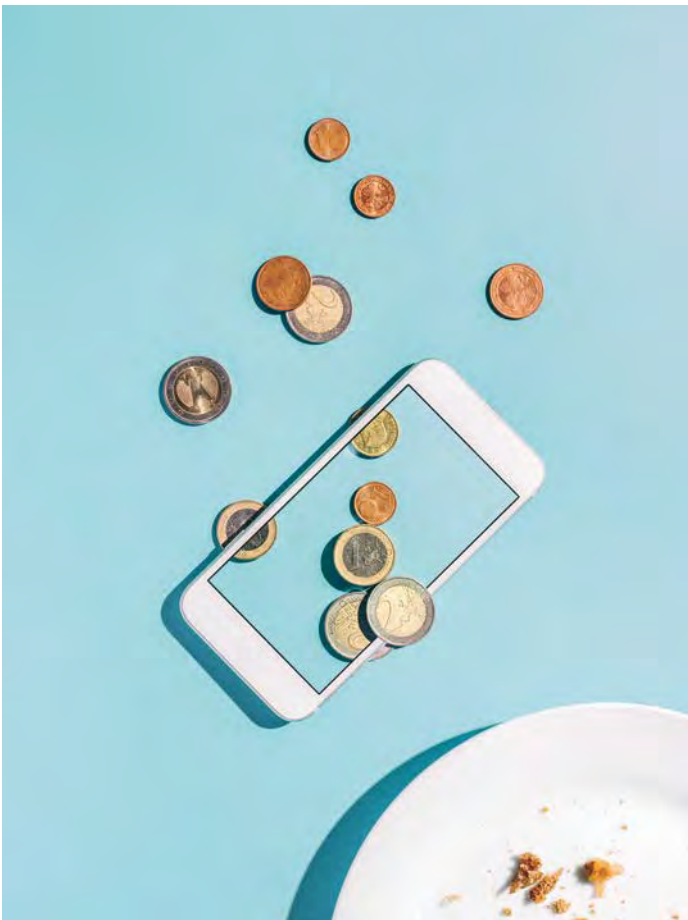




IDEAS FOR THE FUTURE

METRO brings more than 100 start-ups and 500 hospitality operators in 5 European cities together within the project METROpolitan Pilot  in order for them to put digital solutions  to the test in practice, to promote dialogue  and to foster digitalisation within the hospitality industry.





LO CALLY DIGITAL

Luca systematically makes use of digital solutions 📱 at SlowSud, among other things for the cash register, for table reservations and for managing customer ratings. The benefits are more efficient organisation 🔄, less administration and more time to devote to the guests. 🎁





TIME FOR WHAT REALLY MATTERS

Everything at
SlowSud revolves
around dishes 🍷
prepared according
to the traditional
Sicilian recipes that
Luca's grandmother
used 🔥 and which
now delight his guests
in Milan. Proving
that you really can
preserve tradition
while helping to
shape the future. 💡



PLAY!



**WWW.METROAG.DE/
WE-ARE-ON-THE-MOVE/
REPORTS**

GO FOR IT

KEEP ON MOVING

ILIKE TO MOVE IT

KEEP ON MOVING

TIME TO MOVE

WE ARE ON THE MOVE

TIME TO MOVE

TIME TO MOVE

KEEP ON MOVING

KEEP ON MOVING

GO FOR IT

ILIKE TO MOVE IT

MOVE FAST AND BREAK THINGS

TIME TO MOVE

GO FOR IT

GO FOR IT

GO FOR IT

GO FOR IT

TIME TO MOVE

TIME TO MOVE

WE ARE ON THE MOVE

WE ARE ON THE MOVE

GO FOR IT

WE ARE ON THE MOVE

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LETTER TO THE SHAREHOLDERS

Dear Ladies and Gentlemen,

Financial year 2017/18 saw us making significant progress on our way to completely focusing on the wholesale business and we have achieved quite a lot. We have made significant progress in many areas but also had to overcome a number of unexpected challenges. Change and progress are crucial for the future viability of our company. We have come very far in our transformation of METRO AG into a reliable partner for small and medium-sized hospitality and retail businesses. This project will continue, and we look forward to many future achievements with our customers, our partners and our unparalleled team.

During the past financial year, we were able to slightly increase like-for-like sales and EBITDA excluding earnings contributions from real estate transactions adjusted for currency effects also improved a little. We achieved this despite considerable negative macroeconomic volatility in individual markets, such as Russia. The re-evaluation of market conditions in Russia and the inevitable termination of the agreement between Real and Verdi forced us to correct our outlook in April 2018. This was a painful decision that cost us capital market confidence. Thanks to the measures initiated for our Russian business, we were able to prove in the second half of the year that we can tackle and solve concrete problems, which has helped us make progress since.

At the end of the financial year, we decided to sell our hypermarket business. This move constitutes an important step in our project of fully focus ourselves to wholesale. We have put in place the best conditions to give Real a successful, independent future on its own. Besides the Food Lover concept and the strong online presence, securing competitive cost structures was an important, groundbreaking step.

We will propose a dividend of €0.70 per share at the Annual General Meeting of METRO AG. This proposed dividend corresponds to 74% of the earnings per share (€0.95) and thus exceeds the payout ratio of 45% to 55% provided for in METRO's dividend policy. We believe that this is an appropriate deviation that will provide you, dear shareholders, with an attractive dividend yield and dividend continuity following a business year in which we had to adjust our outlook, which has resulted in a negative development of our share price. We want to demonstrate our trust in the future of METRO to you. At the same time, with regard to free cash flow from operating and investing activities as well as net debt in financial year 2017/18 we are in good condition in order to afford such payout. This is also due to the tangible effect of the non-cash-effective goodwill impairment loss at Real on earnings per share. I cordially invite you to our Annual General Meeting on 15 February 2019 in Düsseldorf.

METRO Wholesale

In the wholesale segment, we were able to boost our relevance to independent businesses despite challenging economic conditions. We are continuing our highly pleasing development of the recent past and recording the fifth consecutive year of like-for-like sales growth. Eastern Europe (excluding Russia) and Asia recorded particularly positive developments. We are pleased with the fact that, like-for-like, our core business in Germany grew again in financial year 2017/18. Negative currency effects impair our reported total sales, however.

In financial year 2017/18, we enhanced our profile even further and focused more consistently on the customer groups hotels, restaurants and catering

companies (HoReCa) as well as independent traders. By intensifying customer relationships, we were able to significantly increase sales to our recurring customers, especially in the HoReCa sector. This clear focus is paying off. In financial year 2017/18, we achieved like-for-like growth of 3.6% with HoReCa customers, and 4.6% with independent traders¹. Our food sales increased by 1.9%, which emphasises our clear focus on our primary target groups and reduces our dependency on complementary offers. Our focus on the hospitality sector will continue in the years to come. In this area we see a trend, because the hospitality sector is growing and will offer further potential for our customers and us in the future. Favourable economic conditions and higher incomes are changing consumer behaviour in many countries. Both the importance of nutrition and the willingness and necessity to consume food outside the home are growing steadily. In order to take advantage of this positive trend together with our customers, we provide them with a wide product range and needs-based services as a reliable partner, regardless of whether they purchase the products at our stores, through our delivery service, through our customer management or online. The clear focus on our HoReCa customers is also reflected in the modernisation of our store-based business, as can be seen in the reconstruction of the METRO wholesale store at our home base in Düsseldorf. In order to save hospitality operators time for their purchases, the delivery routes were optimised and the product mix was tailored to meet their needs more efficiently.

As mentioned at the beginning, we faced some challenges with METRO Russia last year. In the meantime, we have instituted a largely new management team of long-standing, highly experienced METRO colleagues in Russia who are correcting these developments. With a new, attractive pricing model, we are once again recording volume gains and a slow improvement in the sales trend. The Russian market strongly features independent traders and we are pushing ahead with the expansion of the Fasol franchise concept, which supports them. As a direct result of that strategy, we were recently able to achieve a significant increase in contracts concluded and shops opened at Fasol. Our goal is to have more than 3,000 franchise stores in Russia by 2020. By bundling administrative processes, we can also save costs. With this wide variety of measures, we feel that we are well positioned to secure additional share in the Traders and HoReCa markets in Russia in the future.

The delivery sales of METRO Wholesale continue to expand very dynamically, showing double-digit growth and accounting for 18% of total sales. Among

others, this trend is being invigorated by the delivery specialists Classic Fine Foods in Asia, Pro à Pro in France and Rungis Express in Germany and Switzerland. The expansion of the depot networks and out-of-store delivery in the METRO countries also contributed to this delightful development. Our digitalisation initiatives also have a positive effect. With our M-Shop we offer our customers a platform to quickly and easily order goods from us 24 hours a day, 7 days a week. At this stage, we receive 17% of orders online. The driver app used by drivers in our delivery depots improves processes and increases service levels.

The year 2018 was also marked by the realignment of our own-brand product range. The launch of the new own brands METRO Chef, METRO Premium and METRO Professional has aligned our product range even more closely with the requirements of our customers.

In addition, we have rolled out the Net Promoter Score (NPS), which we use to measure customer satisfaction across all stores. The tool allows us to capture customers' precise points of criticism and suggestions for improvement, remove inefficiencies and thus provide the best possible customer value. Ultimately a higher level of customer loyalty also means a higher percentage of recurring customers with increased purchase of goods.

Digitalisation is opening up whole new possibilities for our customers. During the past few years, we have been working tirelessly on identifying new solutions and validating their added value. We have even dedicated an entire business segment to this endeavour: Hospitality Digital. Here, we develop new concepts with our customers, develop our own applications, pilot them in 5 major cities and collaborate with other technology companies to improve our sustainability and economic efficiency by means of digital solutions. Based on the overwhelmingly positive feedback from our customers and the substantial benefits we are creating for them, we have developed a new platform, dish.co. We use this online platform to market our own solutions, such as digital table bookings and tools for creating a website, alongside applications by other companies. It also allows us to convey information and advertise events that help our customers find their bearings in, and take advantage of the digital world. During the past financial year, we were able to retain more than 100,000 customers digitally. We will continue on this path over the coming years and intensely expand our strategy. This will generate significant benefits for our customers, increase our relevance and customer retention, and help us to acquire new customers. Whole new business opportunities are opening up thanks to digitalisation, and we are working hard to use them to our benefit.

¹ Trader countries: Bulgaria, India, Pakistan, Poland, Romania, Serbia, Slovakia, Czech Republic.



Besides the modernisation of our business models, we are designing future product ranges. In March 2018, we successfully launched our innovation hub NX-FOOD, which we use to promote the development and distribution of new food solutions and concepts in the retail and hospitality sector. We are thereby actively shaping the future of the food industry.

Last but certainly not least, we have intensified our sustainability approach. In the course of the financial year METRO SUSTAINABLE enabled us to demonstrate how we operate as a corporation in order to generate added value for our customers without losing track of our objective of managing resources sustainably and exerting a positive impact on society. As a strong, reliable partner for independent companies along the entire value chain, we want to take responsible steps to do more for the people who are passionately committed to their business on a daily basis. Our actions are guided by the Sustainable Development Goals (SDGs) postulated by the United Nations. We are firmly committed to contributing to their achievement through our corporate activities and our corporation as a value-adding part of the society.

The fact that METRO, as a supporter of small and medium-sized companies, understands the needs of its customers is clearly demonstrated by the new international brand campaign. The slogan 'Your Success is our Business' highlights our conception of METRO as always being focused on the success of

our customers. The claim can be distilled to a single, essential idea: We don't work for METRO! We work for our many customers to make them successful. In doing so, we support METRO customers from over 20 countries who serve as brand ambassadors of our campaign.

Real

Real has undergone an intense transformation in recent years. With the Markthalle concept, we have introduced a model that our customers enthusiastically welcome. It combines the staging of fresh produce with integrated themed food experiences, targeting all of the customers' senses. In our Krefeld store, we are recording an increase of around 30% in sustainable repeat business. With around 80,000 items, we not only offer an outstanding selection of products that is second to none in the German food retail sector, but we also drive innovation and offer our customers new trendy products. In October 2018, we opened another store in Braunschweig that was based on the same design. A third store in Bielefeld will follow in 2019. In addition, we will install modules from the hybrid concept of the Markthalle in about 12 stores.

The development of the online business at Real has also been gratifying. Together with more than 5,000 partners, Real offers more than 12 million items: the largest assortment in the history of our company. Correspondingly, we enjoy great economic dynamism. The gross merchandise value, for example the

gross amount of merchandise ordered via the platform, grew by more than 90% to €380 million in financial year 2017/18. This makes us one of the fastest-growing online marketplaces in Germany. We also want to link our e-commerce activities even more closely with store-based retail. Customers can use the platform Real.de to order items to be sent to their nearest Real store and pick them up at that location. In addition, we are testing the delivery of food ordered online in 15 cities, which would enable us to reach around 13 million households.

We have also begun to rectify the significant competitive disadvantages caused by the high personnel expenses of Real compared to other food retailers. Meanwhile, Real has already hired more than 3,000 new employees under a new, competitive wage structure. Our existing employees will enjoy a grandfather clause and not suffer any wage reduction.

The concept of the Markthalle, the growing online business and competitive cost structures create the prerequisites for an increase in the value of Real. My Management Board colleagues and I decided on 13 September 2018 to initiate a sales process for Real. METRO will focus entirely on the wholesale business. We see great opportunities for economic development in that sector for both Real and METRO Wholesale.

Outlook

Financial year 2017/18 was overall successful. METRO increased like-for-like sales by 0.7% in financial year 2017/18. At €36.5 billion, reported sales were 1.7% lower than in the previous year due to negative currency exchange rate developments. The EBITDA excluding earnings contributions from real estate transactions totalled €1,396 million. Adjusted for currency effects, the EBITDA excluding earnings contributions from real estate transactions was €16 million higher than in the previous year. METRO has achieved its adjusted targets for financial year 2017/18.

The hypermarket business for sale is reported as a discontinued operation as of 30 September 2018 due to the ongoing sales process. The outlook for financial year 2018/19 will refer to continuing operations only.

In financial year 2018/19, we are expecting a total sales growth and increase in like-for-like sales by 1–3%, assuming stable exchange rates and no portfolio adjustments. This growth will be particularly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

For its earnings, METRO expects the EBITDA excluding earnings contributions from real estate transactions to decrease by 2–6% on the figures of reporting year 2017/18 (€1,242 million). This is due to higher investments in the fields of IT and Digital and an anticipated further decrease in earnings in Russia due to the macroeconomic challenges. For all other segments, METRO expects an EBITDA on the previous year's level.

After financial year 2017/18, which has been full of excitement and changes, I would especially like to extend my heartfelt thanks to my colleagues. Through their commitment, METRO has evolved into a modern enterprise, allowing it to focus on its core business, tackle new challenges and think beyond the boundaries of the business model. Through personal customer service, our dedicated employees ensure that our customers are also more satisfied. Our annual employee survey shows that we have made great progress in this area. At 78%, this year marked the highest employee engagement index ever recorded in the history of METRO. The average in the retail and wholesale sector is 63%.

Dear shareholders, after a year filled with challenges I want to express my deepest gratitude for your continued trust and confidence. I can assure you: everything we were able to achieve in financial year 2017/18 is not enough. We will continue to remain inquisitive and work diligently to better serve our customers' needs and build trusting relationships with them. In other words, we will continue to be on the move.

Yours truly,



Olaf Koch
CHAIRMAN OF THE
MANAGEMENT BOARD
OF METRO AG

GOALS AND STRATEGY

METRO

As a leading international specialist in the food wholesale and retail industry, METRO sees itself as a responsible partner along the entire value chain committed to its customers' success and satisfaction every day. Our strategy aims to achieve long-term stable growth in like-for-like sales and earnings. To ensure that we remain relevant to our customers and successful in the long term, we have set ourselves the goal of differentiating us from our competitors in the food and hospitality industries by continuing to develop our business model and by strengthening our focus on the customer. Our sustainability principles play a major role in this endeavour. We do not limit our actions to merely ensuring the transactional satisfaction of our customers while they are shopping; to intensify all aspects of our relationship with our customers, we continue to expand our range of comprehensive services designed to assist our customers in achieving success. The opportunities that emerge from the digitalisation also play a major role.

Customer focus and customer satisfaction are essential elements of our strategy. The Net Promoter Score has now been introduced across all stores and allows us to continuously measure and resolutely improve our customers' satisfaction. Besides the purely quantitative measurement of the current satisfaction values, suggestions from customers can be systematically recorded and evaluated. These data can be used to identify additional potentials for improving the shopping experience which are then reflected in, among other things, the design of our stores or assortments.

In order to exploit the opportunities derived from the progressing digitalisation and to realise synergies, we are bundling our digitalisation initiatives with the Hospitality Digital business unit and the service company METRO-NOM. Hospitality Digital develops customer- and user-oriented solutions, for example systems that improve the payment process, online ordering systems or other digital solutions especially for the catering sector, such as the creation and operation of internet presences. In addition, innovative start-up companies are supported by initiatives like the METRO Accelerator powered by Techstars.

METRO-NOM also drives the development and internal deployment of digital solutions in order to further increase the efficiency of our organisation. The implementation of cost-saving measures also continues. These include procurement cooperation

projects with other international retailers which increase METRO's competitiveness while creating added value for its customers. One example of this is the new procurement alliance Horizon International which includes METRO, Auchan Retail, Dia Group and Casino Group.

Our reinforced sustainability approach METRO SUSTAINABLE emphasises the fact that sustainability at METRO means more than merely focusing on environmental and social issues. METRO SUSTAINABLE is a fixed component of our corporate strategy and shows how we aspire to do business as a responsible company. It encompasses every single aspect of our actions. In concrete terms, this means: we want to make our product range more sustainable and reduce our economic footprint, for example by implementing energy-efficient solutions. Our actions are guided by the Sustainable Development Goals (SDGs) postulated by the United Nations. Contributing to their achievement is a firm commitment of our core business.

— **For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/sustainability and also the Corporate Responsibility Report 2017/18 at www.metroag.de/cr-report-2017-18.**

METRO is shaped by our more than 150,000 highly motivated employees worldwide. They fill our open culture with life and combine passion, a partnership approach and outstanding performance in our core business. With courage for new ideas they challenge the status quo time and again and drive our business forward.

METRO essentially consists of the METRO Wholesale and Real sales lines, which are in charge of our operational business, and the Others segment, which includes the Hospitality Digital business unit, the real estate company METRO PROPERTIES and a number of service companies, among others. The METRO Wholesale sales line comprises the wholesale stores operated under the METRO and MAKRO brands, as well as the delivery sales. It primarily targets business customers (B2B) and is characterised by trusting relationships with more than 24 million customers across 35 countries. The Real sales line focuses on the retail industry in Germany and thus on end consumers (B2C). Real is one of the leading hypermarket companies in Germany. The decision of the METRO AG Management Board to initiate the sales process for the hypermarket business and focus its operative activities on wholesale means that the Real sales line no longer constitutes a strategic activity in our portfolio.

METRO WHOLESALE

As an omnichannel operator, METRO Wholesale combines a wide network of modern wholesale stores with a delivery service (Food Service Distribution, FSD) and digital services, such as an online ordering system. Our customers can choose between shopping in a store, having their products delivered to them, or – for example in France – they may take advantage of the click-and-collect online shopping service which allows them to pick up their pre-packed products directly from their preferred store. Our wholesale business is distinguished by a strong international presence: METRO Wholesale can be found in 35 countries across Europe and Asia. We operate 769 METRO and MAKRO wholesale stores with a comprehensive delivery service in 25 countries. In the remaining 10 countries, the business is limited to delivery services. In the FSD area, our dedicated delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express make a substantial contribution to the success of our business. METRO Wholesale's workforce stood at more than 100,000 employees in financial year 2017/18.

Focus on customer benefits

The objective of METRO Wholesale is to strengthen the competitiveness of its customers – not only to make them and their business model more successful, but also with the aim of increasing customer retention over the long term.

Most of our wholesale customers are small and medium-sized companies and sole traders. We want to assist them in better mastering their business challenges by supplying long-term solutions with superior added economic value. To achieve this, we leverage our knowledge, our resources and our global presence. We consistently align our business model to customer value and strengthen our local organisations to establish a closer relationship with our B2B customers.

Our B2B customers can be broken down into 3 core customer groups: HoReCa, Traders and SCO (service companies and offices). HoReCa includes hotels and hospitality businesses, restaurants, bars and cafés, as well as catering companies and canteen operators. The Traders 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.

Our markets are divided into core customer groups and regions. Depending on our main customer focus in the respective countries, we offer a tailored product range that matches the specific preferences and requirements of our customers. We increase the satisfaction of our customers by gearing our products, services and sales channels to the local requirements. This allows us to exploit the local market opportunities in the best possible way.

Our interpretation of customer orientation and the way we bring it to life is exemplified in the new METRO Wholesale brand campaign 'We don't work for METRO. We work for ...' and the closely related METRO Own Business Day. The Own Business Day was established to assist our customers in what matters most for them: the marketing of their own business. Our website allows business owners to publish their campaign offers to acquire new customers and advance their business. The new brand campaign also puts our customers centre stage and illustrates how METRO assists them in their daily business operations.

Value enhancers for the business

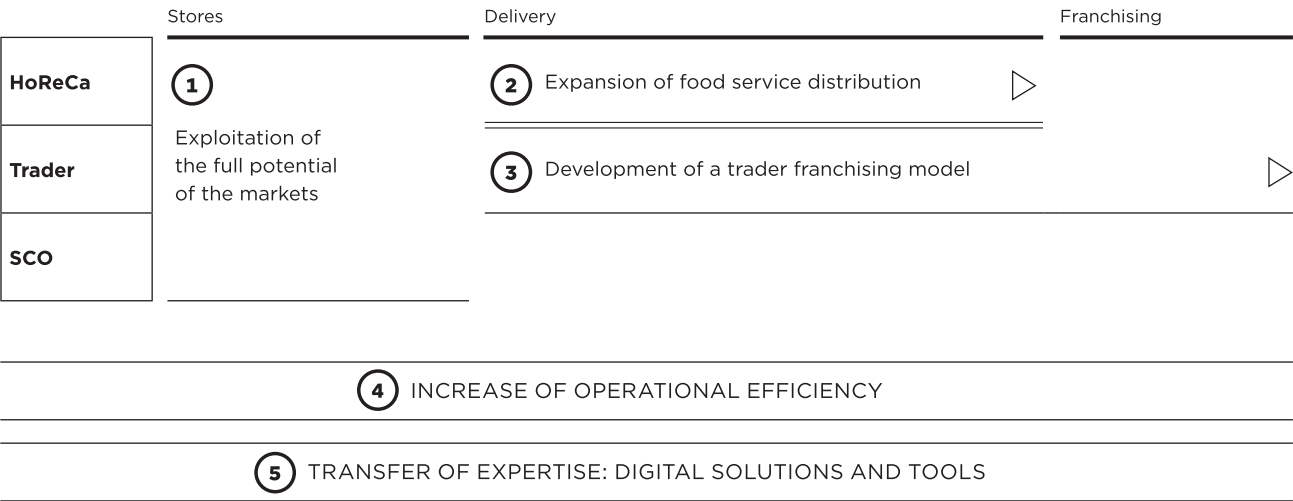
Based on our business model, our local companies develop and implement their individual value creation plans that enable transformation and growth according to local conditions. The central organisation supports local value creation and actively manages the portfolio. Based on the country-specific and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

- We exploit the full potential of our markets across all customer groups. We accomplish this by distinguishing the wholesale stores, for example by designing stores that are specifically tailored to the different customer groups and their respective needs. Good examples are the Compact Store concept in France or the revamping of our wholesale stores in Germany, for example in Düsseldorf and Krefeld. Moreover, we are replacing our centrally managed, unified growth model, which is based on the opening of new wholesale stores, with a distinguished, sustainable model focused on like-for-like sales growth.
- We continue to expand our Food Service Distribution and the delivery business because they represent an attractive business that is complementary to our core business in the wholesale stores. Delivery is an important procurement channel for HoReCa customers in most countries. By expanding our delivery services, we strengthen relationships with these customers and their commitment to us.
- We are expanding the trader franchising model in countries such as Poland, Romania and especially Russia. METRO Wholesale operates in a similar way as a franchisor with its own-brand identity. It provides products and offers additional services to the participating independent grocery stores, such as training courses and assortment consultancy. The expansion of the model helps open up new growth opportunities in relevant markets.
- We are increasing operational capacity to reduce our cost base. We aim at reducing our procurement costs and in turn improve our competitiveness by conducting cooperation projects with international retail and wholesale companies, such as the international pro-

- curement alliance Horizon International with Auchan Retail, Dia Group and Casino Group as partners.
- We share our know-how with our customers by offering them training courses, tutorials and professional advice. We develop digital solutions and applications for our customers, such as our free

service for creating a website, online reservation systems for hospitality operators or efficient personnel management systems. These activities allow us to assist our customers in their business processes and to make their relationship with us more efficient.

WHOLESALE STRATEGY



REAL

With more than 34,000 employees and 279 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. Real is pursuing the strategic repositioning of its business model with full force. One key area of the overall strategy for Real is the continued development of promising sales channels, for example the online marketplace and the click-and-collect service. Another key area is the extensive optimisation of Real’s existing store network.

Strategic priorities

- **Customer orientation:** The product range and services offered by Real are systematically geared to the preferences and requirements of its customers. This is accompanied by the modernisation and redevelopment of the hypermarket stores with the aim of increasing the productivity per square metre. This also includes Real continuing to drive the implementation of the ‘Markthalle’ concept which is a hybrid-store concept that combines customer focus with the benefits of large floor plans and is geared to the specific requirements of retail customers today and in the future. The vision is to

present customers with a unique shopping experience. This is why the successful concept implemented at Markthalle Krefeld will be rolled out in additional stores, for example the completely re-developed Markthalle Braunschweig which reopened in October 2018. The concept takes into account both emotional and rational customer wishes and is very well received by the customers.

- **Selected investments:** Real is making selected investments to establish itself as an omnichannel retailer, strengthen its ultra-fresh categories and further expand its procurement partnerships and joint venture projects. One of them is the RTG Retail Trade Group which is utilised by Real, one of the project’s founding members, to significantly improve its competitiveness. Tegut became the 7th member of RTG in June 2018.
 - **Omnichannel presence:** Following the integration of Hitmeister, Real.de has developed into a successful online marketplace that offers its customers a huge selection from among more than 12 million products. The platform can also be used by external retailers to market their products online.
- Customers also have the opportunity to use the click-and-collect service at Real’s online grocery store and pick up their online purchases from one of 16 stores. Customers in 15 cities can also have their shopping delivered directly to their homes. This prepares the company for an expected growth in demand concerning the e-commerce segment.

- **Increase of cost efficiency:** Real has streamlined its management structures, utilised synergies within the group and repositioned its core functions. The company is also restructuring its administration and relocating certain functions to concentrate them at the head office in Düsseldorf. The objective is to establish structures that are efficient and offer good working conditions, including competitive salary structures. In mid-2018, Real created the prerequisites for a new collective bargaining partnership outside the HDE structures (association of German retailers) by terminating the future collective agreement concluded in 2016 with Verdi. The effect of spinning off the business of Real SB-Warenhaus GmbH to real GmbH is that new collective agreements negotiated between DHV – Die Berufsgewerkschaft e. V. and AHD – Unternehmensvereinigung für Arbeitsbedingungen im Handel und Dienstleistungsgewerbe e. V. are now in place. This strengthens the future viability of Real's business model.

OTHERS

The Others segment comprises, among others, the centralised activities of METRO, the procurement organisation in Hong Kong, which also operates on behalf of third parties, as well as logistics services and real estate activities of METRO PROPERTIES which are not attributed to any sales lines. These include, for example, speciality stores, warehouses and head offices.

METRO owns an extensive portfolio of real estate assets comprising more than 1,000 operating sites, 279 of which form part of the Real's hypermarket business. METRO PROPERTIES concentrates the real estate know-how of METRO and has established itself on the market as a reputable real estate company. The real estate segment makes a sustainable and significant contribution to the overall business success of METRO.

METRO PROPERTIES operates, develops and markets an international portfolio of properties. Its activities cover the entire life cycle of METRO's real estate assets: from future-oriented investments, economic property operation/maintenance to sustainable and creative development of the real estate assets as well as the realisation of capital gains when disposing of a real estate asset at the right point in time. In the reporting year, METRO PROPERTIES sold an administration building at Albertussee in Düsseldorf which had been continuously upgraded over time to a project developer who converted the office areas into residential space. Other successful development projects and sale-and-leaseback transactions include projects in Spain and other European countries. METRO PROPERTIES also created post-urbanisation concepts for sites in India and China.

METRO PROPERTIES is continuously developing the property portfolio of METRO. METRO also benefits of opportunities for bolt-on businesses, such as sub-licensing of its comprehensive market expertise, and the excellent reputation of METRO PROPERTIES.

OVERVIEW OF FINANCIAL YEAR 2017/18

Earnings position

The following section will report on continuing and discontinued operations.

- Like-for-like sales increased by 0.7%; reported sales declined by -1.6% to €36.5 billion (in local currency: 0.7%)
- EBITDA excluding earnings contributions from real estate transactions amounted to €1,396 million (2016/17: €1,436 million); reported EBITDA reached €1,525 million (2016/17: €1,611 million)
- Profit or loss for the period amounted to €348 million (2016/17: €345 million)
- Earnings per share: €0.95 (2016/17: €0.89)

Financial and asset position

- Net debt remained at the previous year's level of €3.2 billion € (30.9.2017: €3.1 billion)
- Investments amounted to €0.8 billion (2016/17: €0.8 billion)
- Cash flow from operating activities reached €0.9 billion (2016/17: €1.0 billion)
- Total assets amounted to €15.2 billion (30/9/2017: €15.8 billion)
- Equity: €3.1 billion (30/9/2017: €3.2 billion); equity ratio: 20.5% (30/9/2017: 20.3%)
- Long-term rating: BBB- (Standard & Poor's)

Group business development

In financial year 2017/18, METRO's like-for-like **sales** rose by 0.7%. This growth is attributable to a positive development at METRO Wholesale, while Real experienced a

decline in this respect. In local currency, METRO sales increased by 0.7%. By contrast, reported sales decreased by 1.6% to €36.5 billion due to negative currency effects.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) excluding earnings contributions from real estate transactions totalled €1,396 million in 2017/18 (2016/17: €1,436 million). This decrease is mainly attributable to the decline in sales in Russia, negative currency development and a negative effect on earnings resulting from the termination of the future collective agreement at Real. Adjusted for currency effects, EBITDA excluding earnings contributions from real estate transactions rose by 1.2%.

Earnings contributions from real estate transactions totalled €129 million (2016/17: €175 million). EBITDA reached €1,525 million (2016/17: €1,611 million).

€ million	2016/17	2017/18	Change
Sales	37,140	36,534	-1.6%
EBITDA excluding earnings contributions from real estate transactions	1,436	1,396	-2.8%
Earnings contributions from real estate transactions	175	129	-26.5%
EBITDA	1,611	1,525	-5.3%
EBIT	852	740	-13.2%
Investments	827	811	-2.0%
Stores	1,041	1,048	0.7%
Selling space (1,000 m ²)	7,249	7,152	-1.3%

The reconciliation from sales to like-for-like sales in local currency is shown in the following:

€ million	Continuing and discontinued operations			Continuing operations		
	2016/17	2017/18	Change	2016/17	2017/18	Change
Total sales in €	37,140	36,534	-1.6%	29,903	29,476	-1.4%
Total sales in local currency ¹	36,285	36,534	0.7%	29,048	29,476	1.5%
Sales of stores that were not part of the like-for-like panel in 2017/18 ²	1,830	1,849	-	1,540	1,617	-
Like-for-like sales in local currency	34,455	34,685	0.7%	27,508	27,859	1.3%

¹ Sales in local currency of the previous year were calculated by converting reported sales of the previous year at the average exchange rate of the current financial year.

² Not included in the like-for-like panel are, among others, new openings, stores in start-up phase, closures, service companies and major refurbishments.

Net financial result and taxes

€ million	2016/17	2017/18
Earnings before interest and taxes EBIT	833	823
Earnings share of non-operating companies recognised at equity	0	0
Other investment result	1	0
Interest income/expenses (interest result)	-128	-128
Other financial result	-32	-2
Financial result	-159	-130
Earnings before taxes EBT	674	693
Income taxes	-295	-235
Profit or loss for the period from continuing operations	379	458
Profit or loss for the period from discontinued operations after taxes	-34	-110
Profit or loss for the period	345	348

Net financial result

The net financial result from continuing operations primarily comprises the interest result of €-128 million (2016/17: €-128 million) and the other financial result of €-2 million (2016/17: €-32 million). Interest is at the level of the previous year. The improvement in the other financial result by €30 million to €-2 million is primarily the result of more favourable currency exchange rates and the reversal of a liability from contingent consideration in the context of an acquisition.

Taxes

The reported income tax expenses of €235 million (2016/17: €295 million) are €60 million lower than in the previous year.

During the reporting period, the group tax rate for continuing segment is 33.9% (2016/17: 43.8%). The group tax rate is the ratio between recognised income tax expenses and earnings before taxes. Besides positive effects from tax rate changes abroad and lower impairment losses on deferred taxes, the comparatively low rate in the current financial year was especially due to lower expenses for risk provisioning and other one-time effects. The high rate of the previous year was influenced by expenses associated with the demerger, which did not result in reduced tax-expenses.

Profit or loss for the period and earnings per share

The profit for the period from continuing operations reached €458 million in financial year 2017/18, amounting to €79 million more than the profit for the previous year's period (2016/17: €379 million).

The profit for the period from METRO's continuing and discontinued operations reached €348 million in financial year 2017/18, amounting to €3 million more than the profit for the previous year's period (2016/17: €345 million).

Net of earnings per share of non-controlling interests, profit for the period attributable to the shareholders of METRO AG from continuing and discontinued operations amounts to €344 million (2016/17: €325 million). This represents an increase of €19 million. An improvement of €95 million resulted from continuing operations.

On this basis, METRO achieved a result of €0.95 per share from its continuing and discontinued operations in financial year 2017/18 (2016/17: €0.89), of which €1.25 came from continuing operations (2016/17: €0.99). The calculation for the reporting period was based on a weighted number of 363,097,253 shares. Profit for the period attributable to the shareholders of METRO AG was distributed according to this number of shares. There was no dilution from so-called potential shares in financial year 2017/18 or in the previous year.

This result forms the basis for the dividend recommendation.

		2016/17	2017/18	Change	
				absolute	%
Profit or loss for the period from continuing operations	€ million	379	458	79	20.9
Profit or loss for the period from discontinued operations after taxes	€ million	-34	-110	76	-
Profit or loss for the period	€ million	345	348	3	0.9
Profit or loss for the period attributable to non-controlling interests	€ million	20	4	-16	-79.2
from continuing operations	€ million	(20)	(4)	-16	-79.0
from discontinued operations	€ million	(0)	(0)	0	-95.1
Profit or loss for the period attributable to the shareholders of METRO AG	€ million	325	344	19	5.9
from continuing operations	€ million	(359)	(454)	95	26.4
from discontinued operations	€ million	(-34)	(-110)	-76	-
Earnings per share (basic = diluted) ¹	€	0.89	0.95	0.05	5.9
from continuing operations	€	(0.99)	(1.25)	0.26	26.4
from discontinued operations	€	(-0.09)	(-0.30)	-0.21	-

¹ After non-controlling interests.

Liquidity (cash flow statement)

Cash inflow from operating activities in financial year 2017/18 amounted to €874 million (2016/17: cash inflow of €851 million). Investing activities led to cash outflow of €296 million (2016/17: cash outflow of €457 million). Compared with the previous year's period, this represents an increase in cash flow before financing activities of €184 million to €578 million.

Cash flow from financing activities showed cash outflows of €581 million (2016/17: cash outflow of €375 million). Total cash flow from discontinued operations amounts to €-133 million (2016/17: €-31 million).

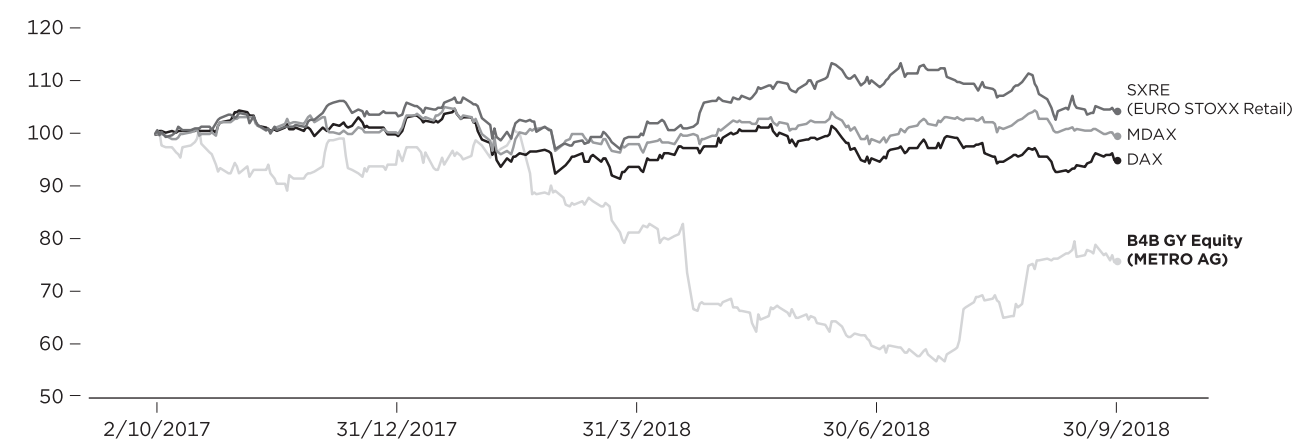
— For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/earnings-position.

METRO SHARE

After the capital markets’ positive development and growth achieved over the 2017 trading year, the economic conditions took a negative turn during the course of 2018. The increasing uncertainty caused by political and geopolitical risks, especially the trade dispute with the United States, resulted in fluctuations on the stock markets. Financial year 2017/18 saw the DAX falling 5%, from 12,903 to 12,247 points, between 1 October 2017 and 30 September 2018. While the MDAX showed little movement, the EURO STOXX Retail took a similar development as the DAX.

The METRO share finished financial year 2017/18 with a closing price of €13.50 in Xetra trading on the Frankfurt Stock Exchange. This corresponds to a decline of 24%. After a fairly constant price development ahead of the Annual General Meeting in February 2018, the share price started to decline after the adjusted forecast in April and reached its lowest closing price of €10.08 on 26 July 2018. The stock price recovered in the fourth quarter. The preference share traded at €12.61 on 30 September 2018.

DEVELOPMENT OF THE METRO SHARE PRICE (%)



METRO SHARE

2017/18			
Closing price	Ordinary share	€	13.50
	Preference share	€	12.61
High	Ordinary share	€	18.00
	Preference share	€	17.69
Low	Ordinary share	€	10.08
	Preference share	€	9.93
Dividends	Ordinary share	€	0.70 ¹
	Preference share	€	0.70 ¹
Dividend yield based on closing price	Ordinary share	%	5.2 ¹
	Preference share	%	5.6 ¹
Market capitalisation (billion)		€	4.9

¹ Subject to the resolution of the Annual General Meeting.
Data based on Xetra closing prices
Source: Bloomberg

DATA ON THE METRO SHARE

	Ordinary share	Preference share
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 of the Frankfurt Stock Exchange	Prime Standard	Prime Standard
Stock exchange	Frankfurt, Luxembourg	Frankfurt, Luxembourg

Market capitalisation and index inclusion

The market capitalisation of METRO AG was €4.9 billion at the end of September 2018. 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 in financial year 2017/18 saw an average of 1.1 million of METRO's ordinary shares traded. Around 3,000 of the significantly less liquid preference shares were exchanged on each trading day.

The METRO AG ordinary share is included in a number of indices, most noteworthy the MDAX. The MDAX at that time comprised the 50 largest German corporations with the highest trading volumes below the DAX 30. To include companies previously listed in the TecDAX, the MDAX was extended to 60 titles on 24 September 2018. Its composition is based on fixed selection criteria. In addition to being listed in the 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. As at 30 September 2018, METRO was ranked number 34 in the MDAX in terms of market capitalisation and number 24 in terms of stock exchange turnover.

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

Many investors place a high priority on the issue of sustainability. METRO is fostering the continuous dialogue with sustainability-oriented investors, analysts and rating agencies. METRO AG once again retained its ranking as best-of-class in 2018, both in the internationally significant sustainability index Dow Jones

Sustainability World, as well as in the Dow Jones Sustainability Europe. Rating agency Oekom Research issued a prime recommendation for METRO AG in the wholesale category (Trading Companies & Distributors). METRO is also listed in the FTSE4Good index. METRO has been issuing public statements on climate protection and water for many years through CDP. METRO achieved a rating of A- (on a scale from F to A) for both subject areas.

METRO shares are also included in the MSCI World ESG Leaders Index and its European counterparts.

METRO has charted the right course with its sustainable business practices.

Dividend and dividend policy

The Management Board and the Supervisory Board will propose a dividend of €0.70 per ordinary share to the Annual General Meeting on 15 February 2019. This proposed dividend corresponds to 74% of the earnings per share of €0.95 and thus exceeds the distribution quota of 45% to 55% provided for in METRO's dividend policy. The intention of the Management Board is to demonstrate the importance of dividend continuity and its confidence in the future of METRO despite the adjusted forecast. The dividend yield on the basis of the closing price on 30 September 2018 is 5.2% for the METRO ordinary share and 5.6% for the preference share.

— For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/share.

GROUP BUSINESS MODEL

METRO is a leading international specialist company in the wholesale and modern food retail sector. The group is headed by 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. Central management and administrative functions for METRO Wholesale are anchored within METRO AG.

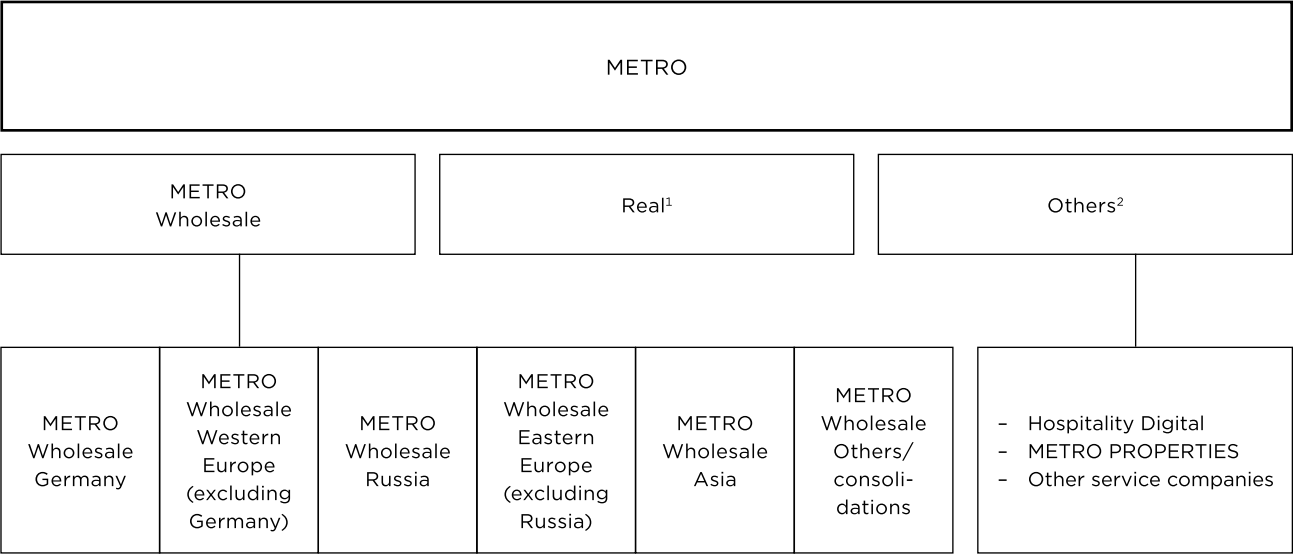
The group essentially consists of the 2 sales lines METRO Wholesale and Real. The wholesale company METRO Wholesale operates more than 769 wholesale stores across 25 countries. The delivery business (Food Service Distribution, FSD) is also part of this sales line, with companies like METRO Delivery Service and the delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express. The retail company Real constitutes the second sales line of the group with 279 hypermarkets across Germany. Real forms the prin-

cipal element of the discontinued business segment in the context of the decision of the Management Board of METRO AG to dispose of the hypermarket business.

The group has pooled its digitalisation initiatives in the Others segment. This primarily refers to the activities of the Hospitality Digital (formerly HoReCa Digital) business unit, which was established in 2015. The unit develops digital solutions for customers in the hospitality industry and creates interfaces for the digital products conventionally used by wholesale traders.

The Others segment further includes the service companies METRO PROPERTIES, METRO LOGISTICS, METRO-NOM (formerly METRO SYSTEMS), METRO ADVERTISING and METRO SOURCING. These companies provide real estate, logistics, IT, advertising and procurement services within the group.

OVERVIEW OF METRO



¹Primarily includes discontinued operations.
²Includes both continuing and discontinued operations.

STORE NETWORK BY COUNTRIES AND SEGMENTS

as of the closing date of 30/9

	METRO	New store openings	Closures	METRO
	2017			2018
Germany	104	0	1	103
Austria	12	0	0	12
Belgium	16	1	0	17
France	97	1	0	98
Italy	50	0	1	49
Netherlands	17	0	0	17
Portugal	10	0	0	10
Spain	37	0	0	37
Western Europe (excl. Germany)	239	2	1	240
Russia	89	4	0	93
Bulgaria	11	0	0	11
Croatia	9	0	0	9
Czech Republic	13	0	0	13
Hungary	13	0	0	13
Kazakhstan	6	0	0	6
Moldova	3	0	0	3
Poland	30	0	1	29
Romania	30	0	0	30
Serbia	9	0	0	9
Slovakia	6	0	0	6
Turkey	33	0	0	33
Ukraine	31	0	0	31
Eastern Europe (excl. Russia)	194	0	1	193
China	90	5	1	94
India	24	3	0	27
Japan	10	0	0	10
Pakistan	9	0	0	9
Asia	133	8	1	140
International	655	14	3	666
METRO Wholesale¹	759	14	4	769
Real (Germany)	282	0	3	279
METRO	1,041	14	7	1,048

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

METRO WHOLESALE

The operating segments METRO Wholesale Germany, METRO Wholesale Western Europe (excluding Germany), METRO Wholesale Russia, METRO Wholesale Eastern Europe (excluding Russia), METRO Wholesale Asia and METRO Wholesale Others, are aggregated as 'METRO Wholesale' taking account of consolidations.

As an omnichannel operator, **METRO Wholesale** combines a wide network of modern wholesale stores with a wide-ranging delivery service (FSD). It is an internationally leading player in this field. With its segments METRO Wholesale Germany, METRO Wholesale Western Europe (excluding Germany), METRO Wholesale Russia, METRO Wholesale Eastern Europe (excluding Russia) and METRO Wholesale Asia, METRO Wholesale is active in 35 countries. It operates 769 wholesale stores in Europe and Asia under its brands **METRO** and **MAKRO**. Its more than 24 million commercial customers worldwide are mainly hotels, restaurants, catering companies, independent retailers, as well as service providers and authorities, to which METRO Wholesale offers a portfolio of products and solutions that has been tailored to their specific requirements.

In the area of **Food Service Distribution (FSD)**, METRO Wholesale 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 delivery specialist for a wide range of deli food. The company's customers include 5-star hotels and up-market restaurants in Asia and the Middle East. Pro à Pro delivers products to commercial customers across France, in particular in the field of corporate catering, canteens and system catering. Rungis Express is an important upmarket food delivery company in Germany that mainly caters to HoReCa customers.

Like-for-like **sales** of METRO Wholesale increased by 1.3% in financial year 2017/18. The growth was particularly pronounced in Eastern Europe (excluding Russia) and Asia. Sales in local currency rose 1.5%. As a result of unfavourable exchange rate developments especially in Russia, Asia and Eastern Europe, reported sales decreased by 1.4% to €29.5 billion.

In **Germany**, like-for-like sales in financial year 2017/18 rose by 0.8%, while reported sales rose by 0.1%.

In 2017/18, like-for-like sales in **Western Europe (excluding Germany)** decreased by 0.4%. Reported sales increased by 1.7% to €10.6 billion. The acquisition of Pro à Pro in the first half of the year, which has been contributing to the overall sales since 1 February 2017, was particularly noticeable here.

In **Russia**, like-for-like sales in financial year 2017/18 declined significantly by 7.0%, corresponding to a decline of 8.0% in local currency. Following challenges in the first half of the year, the initiated business transformation measures started bearing fruit in the second half. As a result of negative currency effects, the reported sales decreased by 16.3%.

In **Eastern Europe (excluding Russia)**, like-for-like sales in the financial year were clearly positive with an increase of 6.1%. Ukraine, Turkey and Romania especially contributed to this with 2-digit growth rates each. In local currency, sales grew by 5.6%. Due to negative currency effects, especially in Turkey, reported sales increased solely by 1.0%.

Like-for-like sales in **Asia** increased by 4.0% in financial year 2017/18. All countries of the segment contributed to this. Sales in local currency rose 4.4%. As a result of unfavourable exchange rate developments, reported sales decreased by 1.4%.

METRO Wholesale's **delivery business** showed a very positive momentum, with sales rising by approximately 14% to €5.3 billion in financial year 2017/18. In particular, the acquisition of Pro à Pro in the previous year contributed to this increase. As a result, the delivery business now accounts for 18% of total sales.

As of 30 September 2018, the **store network** comprised 769 locations (30/9/2017: 759 locations). 14 stores opened in financial year 2017/18 (1 store each in Belgium and France, 3 in India, 4 in Russia, 5 in China), and 4 stores closed (1 store each in China, Germany, Italy and Poland).

The **EBITDA excluding earnings contributions from real estate transactions** reached a total of €1,321 million in financial year 2017/18 (2016/17: €1,413 million). This corresponds to a change adjusted for currency effects of €-35 million compared to the same period in the previous year. The decline in Russia in the amount of €79 million (€-46 million after adjustment for currency effects) is predominantly attributable to sales and margins and includes a positive once-off effect in the amount of approximately €10 million. The positive development in Western Europe and Germany partially offset this decline. Adjusted for currency effects, Eastern Europe (€+11 million) and Asia (€+8 million) also developed positively. In the METRO Wholesale Others segment, increased IT expenses during the current financial year and income from the reversal of provisions in the previous year were the main reasons for the result (€-36 million adjusted for currency effects).

The **earnings contributions from real estate transactions** declined by €57 million compared with the

previous year. While in financial year 2016/17 a major transaction took place in China, a real estate transaction in Spain contributed particularly to the result. In total, EBITDA fell to €1,380 million (2016/17: €1,528 million).

— For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/earnings-position.

METRO WHOLESALE KEY FIGURES I FOR 2017/18

in year-on-year comparison

	Sales (€ 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
	2016/17	2017/18				
Sales	29,866	29,451	-1.4%	-2.9%	1.5%	1.3%
Germany	4,745	4,750	0.1%	0.0%	0.1%	0.8%
Western Europe (excluding Germany)	10,432	10,609	1.7%	0.0%	1.7%	-0.4%
Russia	3,363	2,815	-16.3%	-8.3%	-8.0%	-7.0%
Eastern Europe (excluding Russia)	6,886	6,952	1.0%	-4.7%	5.6%	6.1%
Asia	4,360	4,298	-1.4%	-5.8%	4.4%	4.0%
Others	81	27	-66.3%	0.0%	-66.3%	0.0%
Locations (number)	759	769	-	-	-	-
Selling space (1,000 m²)	5,307	5,234	-	-	-	-

METRO WHOLESALE KEY FIGURES II FOR 2017/18

	EBITDA excluding earnings contributions from real estate transactions			Earnings contributions from real estate transactions			EBITDA		EBIT		Investments	
	2016/17	2017/18	Change (€)	2016/17	2017/18		2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
€ million												
METRO Wholesale	1,413	1,321	-91	115	59		1,528	1,380	1,035	947	547	408
Germany	88	91	3	-1	0		87	91	13	15	40	65
Western Europe (excluding Germany)	466	491	25	6	39		472	530	302	388	310	127
Russia	345	266	-79	0	0		345	266	290	214	72	83
Eastern Europe (excluding Russia)	367	363	-4	0	12		367	375	257	278	55	69
Asia	162	162	0	110	8		272	170	191	105	70	63
Others/Consolidation	-16	-52	-36	0	0		-16	-52	-17	-53	1	0

REAL

The segment **Real** is a leading German operator of food retail hypermarkets with currently 279 outlets. These hypermarkets are characterised by a large product range of up to 80,000 individual products – including many high-quality, fresh-food products and an attractive range of non-food products. In addition to its store-based retail operations, Real also pursues online sales. Real.de offers customers a selection of more than 12 million products.

Real’s like-for-like **sales** declined by 1.7% in financial year 2017/18. This decline is in particular attributable to persistent warm weather and a temporarily limited availability of goods in the second half of the year. Reported sales decreased by 2.3% to €7 billion due to 3 market closures, some of which were temporary.

Online sales continued to develop very positively. In financial year 2017/18, they increased by around 35% and achieved a share of sales of approximately 2%.

The **EBITDA excluding earnings contributions from real estate transactions** reached a total of €143 million in financial year 2017/18 (2016/17:

€154 million). The previous year included restructuring expenses of €60 million. The result was negatively affected in the amount of around €50 million by the termination of the future collective agreement that took place in the current financial year. **Earnings contributions from real estate transactions** amounted to €12 million (2016/17: €6 million). EBITDA amounted to €155 million (2016/17: €159 million).

As part of the required annual impairment test, goodwill of €64 million attributed to Real was written down in full. This is the primary reason for the considerable increase in impairment losses compared to the previous year.

As of 30 September 2018, the **store network** spanned 279 individual stores (2016/17: 282 stores), 3 less than on the reporting date in the previous year (of which 2 were temporary closures due to renovation work).

— **For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/ earnings-position.**

REAL¹ KEY FIGURES I FOR 2017/18 in year-on-year comparison

		Change in % compared with the previous year's period			
	Sales (€ million)	in group currency (€)		Like-for-like sales in local currency	
		in percentage points	in local currency	in percentage points	in local currency
	2016/17	2017/18			
Sales	7,247	7,077	-2.3%	0.0%	-2.3%
Locations (number)	282	279	-	-	-
Selling space (1,000 m²)	1,941	1,919	-	-	-

¹ Primarily includes discontinued operations.

REAL¹ KEY FIGURES II FOR 2017/18

	EBITDA excluding earnings contributions from real estate transactions			Earnings contributions from real estate transactions		EBITDA		EBIT		Investments	
	2016/17	2017/18	Change (€)	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
€ million											
Real	154	143	-11	6	12	159	155	19	-76	131	209

¹ Primarily includes discontinued operations.

OTHERS

The Others segment comprises, among others, the centralised activities of METRO, the procurement organisation in Hong Kong, which also operates on behalf of third parties, logistics services and real estate activities of METRO PROPERTIES which are not attributed to any sales lines (that is speciality stores, warehouses, head offices, etc.) and Hospitality Digital.

In financial year 2017/18, **sales** in the Others segment decreased by €20 million to €7 million (2016/17: €27 million). This decline is mainly attributable to the fact that in the first quarter of the previous year, sales still included the 4 Real stores in Romania that have since been sold.

The **EBITDA excluding earnings contributions from real estate transactions** amounted to €-63 million in financial year 2017/18 (2016/17: €-133 million). While the result in the first half-year was supported by reversals of provisions and once-off income in relation to the settlement of earlier acquisitions, the third quarter was affected by start-up costs for the new warehouse structure in Germany and expenses incurred in relation to the resignation of a member of the Management

Board. The result in the fourth quarter of 2016/17 suffered from one-off expenses in a high 2-digit range, which were related to the demerger. **Earnings contributions from real estate transactions** amounted to €58 million (2016/17: €60 million). EBITDA amount to €-5 million (2016/17: €-73 million).

— For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/earnings-position.

OTHERS¹ KEY FIGURES I FOR 2017/18

in year-on-year comparison

	Sales (€ million)	
	2016/17	2017/18
Sales	27	7

¹ Includes both continuing and discontinued operations.

OTHERS¹ KEY FIGURES II FOR 2017/18

	EBITDA excluding earnings contributions from real estate transactions			Earnings contributions from real estate transactions		EBITDA		EBIT		Investments	
	2016/17	2017/18	Change (€)	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
€ million											
Others	-133	-63	71	60	58	-73	-5	-201	-126	149	196

¹ Includes both continuing and discontinued operations.

INNOVATION

METRO's innovation management is aimed at developing solutions that make daily work and business processes more efficient and sustainable for both our customers and METRO's operating business. To achieve this objective, Hospitality Digital (formerly HoReCa Digital), METRO-NOM and the Store Operations division at METRO AG have formed a close cooperation.

Supporting the digitalisation efforts of our business customers

Digital technologies have become an essential part of our daily lives consumers use their smartphones anywhere and any time to find shops or food outlets and to book a table at their preferred restaurant. While it is true that digitalisation has made an impact in the hospitality industry, many of our customers continue to lag behind in the digitalisation of their business models. This is the finding of a METRO survey that examined the needs of business owners from 10 countries. The survey found that around one third of respondents find it difficult to gain access to digital solutions, despite more than 80% of them considering these important for their business. METRO has acknowledged the opportunities for growth associated with digitalisation and aspires to be a driving force behind the digital transformation of our customers. Hospitality Digital is, for example, developing solutions that allow hospitality operators to improve their digital presence without too much effort and technical knowledge. These solutions include, for example, an online booking tool and a toolkit for creating a website that runs on METRO servers. METRO customers can take advantage of these online tools free of charge. Websites for more than 100,000 customers from 14 countries have already been created since the end of 2017.

To identify effective and scalable digital solutions, these websites are tested by METRO in close cooperation with hospitality operators. The project METROpolitan Pilot saw more than 500 hospitality operators testing more than 100 restaurant-specific digital solutions in Berlin, Paris, Milan, Barcelona and Vienna, including solutions developed by Hospitality Digital and start-up partners. This included an analysis of the user-friendliness and the additional value of the solutions for the customers' businesses. Our teams and the start-ups then used the findings to further develop and refine the solutions. Once the trial phase is concluded successfully, the solutions can be brought into strategic sales cooperations that will market them to a broader audience.

Hospitality Digital and US company Techstars have teamed up for the METRO Accelerator programme which has been assisting international teams of entrepreneurs in the development of digital solutions for the hospitality industry for around 4 years. The same service has been offered for the retail industry since 2017. Around 50 start-ups have participated in these accelerator programmes so far. METRO's own investor team LeadX Capital Partners has joined forces with other external investors to provide capital funding for promising start-up companies.

Innovative technologies for a better shopping experience in our stores

Digitalisation is increasingly affecting the shopping behaviour of customers in store-based retail. To achieve an optimised and more efficient shopping process for our consumers, METRO-NOM and the Store Operations division of METRO AG are working on the digitalisation of customer contact points.

Saving time when doing grocery shopping is becoming increasingly important for our customers. This is why the METRO wholesale store in Nuremberg-Buch is trialling an in-store navigation app that can directly guide customers to the product they are looking for and improve the overall navigation within the store.

New digital solutions, such as virtual and augmented reality, offer the potential to actively involve HoReCa customers as early as the planning phase of innovative concepts. In France, for example, the development of the new Compact Store concept allowed METRO to use virtual reality technology to better align the new wholesale stores to the needs of our customers. In financial year 2017/18, the fourth new METRO store was designed and opened with this technology in Carcassonne, France.

Our customers also want to save time at the checkout. One of the MAKRO stores in the Czech Republic already offers a smart checkout solution to its customers. Customers can use the smartphone app to scan the products before placing them into their trolley, which is then weighed at the smart checkout register. The weight is then compared against the information stored in the app. If the data match up with this information, the customer can pay and save some time by not having to place all items on the register belt.

A decision on whether the individual projects will be expanded to additional stores or other METRO countries will be made after thorough testing has been completed.

Transformation to omnichannel wholesale

The digital solution M-Shop is the cornerstone of our omnichannel strategy for wholesale trade. The online shop is an extension to both store-based retail and METRO Wholesale's delivery business and allows our customers to combine our sales channels in the way that best suits them. The M-Shop features an intuitive product search engine and personalised product recommendations, which together ensure rapid order processing.

Digital solutions also make work easier for our employees, who can more easily retrieve important information about our customers and their shopping behaviour. The sales force app SAM (Sales and More) consolidates information from the various internal customer management systems and ensures that all relevant customer data are available immediately when needed. Artificial intelligence and algorithms are used to analyse the past shopping behaviour of customers and to forecast sales trends, which allows METRO to develop targeted offers that exactly match the needs of our business customers. The delivery then makes use of the driver app from METRO's transport management. This app offers manifold support to our drivers – from optimised tour planning to scanning of delivery products and paperless order processing.

NX-FOOD: the innovation hub for new food solutions

Pressing issues such as the rapidly growing global population, food wastage or humanity's expected reaching of the limitations of conventional livestock farming

present huge challenges for the entire food industry. METRO founded the NX-FOOD hub in March 2018 to overcome these challenges and develop sustainable food solutions as well as concepts for their implementation in the trade and hospitality industry. More than 300 start-ups have already submitted their application via the platform. Their products are now being given a trial listing for around 3 months in Real as well as German and Austrian METRO stores, which will be continued permanently if successful. METRO Wholesale and Real are the first retailers in Germany to offer products made from insect protein on so-called start-up shelves from NX-FOOD. NX-FOOD also cooperates with the airline Eurowings and Retail inMotion. Products from up to 4 start-ups will be featured in Eurowings' magazine 'Wings Bistro' for a 3-month trial phase that started in August 2018, making them available to more than 2 million passengers.

Knowledge gained from cooperation projects

A continuous dialogue about trends and experiences is a crucial element for hospitality operators who want to ensure a satisfactory transfer of knowledge. This is why METRO cooperates with the German Institute of Food Technologies (DIL), the hotel school Ecole hôtelière de Lausanne (EHL), the WHU – Otto Beisheim School of Management and the Code University of Applied Sciences. These partnerships and the cooperation projects with start-ups allow METRO to integrate existing networks and concentrate knowledge.

— For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/innovations.

SUSTAINABILITY

METRO SUSTAINABLE

Our society faces unprecedented economic, environmental, social and cultural challenges. We are convinced that sustainability is the key to transforming these challenges into opportunities.

As a partner to independent business owners along the entire value chain, we do more for business-passionate people – in a responsible way. This reflects the core of our business and our sustainability approach METRO SUSTAINABLE.

Since our focus is on the food sector, this means improving our ‘foodprint’ while minimising our footprint. In concrete terms, this means: We strive to positively impact the availability, consistency, health and social and environmental safety of food, prevent food waste and make our product and service offerings more sustainable overall, as well as to provide efficient solutions to simplify our customers’ business activities. At the same time, we want to minimise our environmental and social footprint by responsibly managing people and resources and creating a positive impact on society overall.

It is our vision to make retail more sustainable along the value chain in our work with small and medium-sized independent suppliers and customers and in contact with consumers. By reconciling our needs and goals with the needs of nature, people and future generations, we can act responsibly, remain successful in the long term and overcome the conventional limits of growth. Through information, inspiration, motivation and support of our employees, customers and partners, this visionary approach has the potential to reach millions of people.

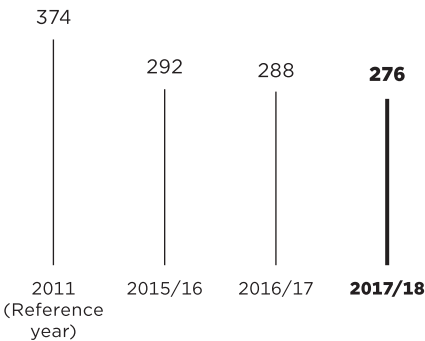
The guiding principles for us are the United Nations Sustainable Development Goals (SDGs). These goals also form the global action framework for our corporate strategy, which is shaped by the principle of sustainability. Inspired by the SDGs, we have refined our sustainability approach. With our areas of responsibility (Empower) People, (Secure) Planet, (Unfold) Prosperity and (Enhance) Partnerships, we support the SDGs, in particular the goals in which we are most directly involved: 2 (Zero Hunger), 8 (Decent Work and Economic Growth), 12 (Responsible Consumption and Production), 13 (Climate Action) and 17 (Partnerships for the Goals).

Environmental matters

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. Our approach is to reduce the climate-relevant emissions caused by our business operations and our consumption of natural resources.¹ We do this by focusing on behavioural change (Energy Awareness Programme) and investment aimed at increasing our energy efficiency (Energy Saving Programme). Wherever possible, we are also converting our cooling systems to natural refrigerants (F-Gas Exit Programmes). This reduces our energy requirements as well as our costs. In financial year 2017/18, among other things, we invested €10 million in METRO Wholesale’s Energy Saving Programme, which saves us approximately €2.8 million in energy costs each year.

CLIMATE PROTECTION TARGET STATUS
Greenhouse gas emissions in kg CO₂ (CO₂ equivalent) per m² of selling and delivery space



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 to the operations of METRO. METRO has therefore committed itself to the Resolution on Food Waste by the Consumer Goods Forum (CGF) and thus to eliminate 50% of wasted food in our own operations by the year 2025 compared to 2016.

Social matters

Supplier development

In order to offer our customers an assortment that meets their requirements, the availability, condition, quality and sustainability of our products play an

¹ Due to the company size and alignment (management), the aspect of environmental matters is not significant for the holding company METRO AG.

important role. We have influence on this through direct contact with our suppliers as producers and manufacturers. By training small and medium-sized suppliers on aspects of food safety, hygiene, processing and implementation of fair working conditions, we enable them to meet relevant standards and thus help them merchandise their goods. This increases their revenue and simultaneously secures our product range.²

Respect for human rights

Respect for human rights is one of the fundamental values of the METRO group, as formalised in our ‘Policy for Human Rights’. We pledge to respect all human rights, as set out in the United Nations’ Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO). This obligation applies to our own employees and to our business partners within our value chain.³

Global labour and social standards in the supply chain

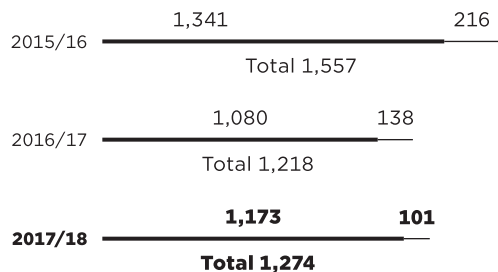
We aim to contribute to ensuring socially acceptable working conditions within our sourcing channels. Social standards systems enable us to take effective action against any potential violations. We will therefore require our producers to be audited in accordance with the supply chain management standard set out by the Amfori Business Social Compliance Initiative (Amfori BSCI) or an equivalent standard. This applies to all producers in certain high-risk countries (based on the Amfori BSCI rating) that manufacture imported goods for METRO SOURCING. It also applies to the producers of non-food items for our own-brand products and our own import products. All suppliers producing for us⁴ must prove at least acceptable audit results by 1 January 2019.

In order to not only ensure the social requirements of our suppliers, but also to contribute to improving them and thereby further increasing the proportion of valid audits, METRO SOURCING works with our local producers and supports them through training courses designed to understand and comply with social standards.

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

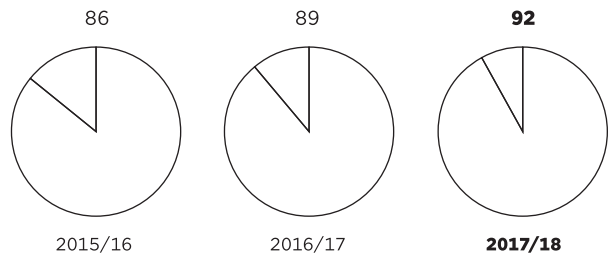
as of the closing date of 30/9

Factories with a valid audit (number)



— thereof with passed audit
— thereof with failed audit

Thereof with passed audit (in %)



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

— For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/sustainability and also the Corporate Responsibility Report 2017/18 at www.metroag.de/cr-report-2017-18.

² Due to the business alignment, supplier development is not a significant aspect for the holding company METRO AG.
³ For the holding company METRO AG, the aspect of human rights in the supply chain is not essential owing to its business alignment but rather only in relation to its own employees.
⁴ This includes merchandise producers (non-food own-brand products and own non-food imports) in high-risk countries that carry out the final significant value-creating production step, for example produce the final item of clothing.

EMPLOYEES

Sustainable human resource strategy

It is the goal of METRO to ensure that it increases its relevance to its customers continuously to produce long-term growth in sales and earnings. Among other things, we attach great importance to the continuous development of our business model and the increase in our customer orientation.

Our commitment levels, which have been steadily rising since 2011 and are well above the industry average, are proof that our workforce of more than 150,000 employees are doing their best every day to achieve the goals of the group. With our efforts in human resources, we make an important contribution to reinforcing and expanding our employees' motivation, to encouraging teamwork and promoting entrepreneurial thinking, open-mindedness and assuming responsibility in the company. In doing so, we pursue 2 overarching ambitions:

- Creating an appealing, open-minded and inspiring work environment for our employees. We firmly believe that only satisfied employees who are supported in accordance with their commitment and abilities can offer a first-class customer experience.
- Expansion of METRO into an adaptive, learning organisation that responds quickly to market and customer needs and participates in shaping trends. We make significant investments to accomplish this.

Our underlying, holistic approach to human resources with customised initiatives and programmes spans the entire career of an employee – from recruitment through various career and life stages to retirement models. Involvement of the Management Board or the management of the various national subsidiaries and service companies often already takes place during the development phase of the personnel concept and thus ensures proper balance between adaptation to local conditions and standardisation throughout the group.

Recruiting employees

In the competition to hire the best specialists and executives, our goal is to position METRO as an attractive employer and to attract qualified, talented people to our company. By training junior employees for the retail and wholesale sector, we are able to recruit leaders from our own ranks. At the same time, METRO is constantly exploring the market for motivated specialists in order to strengthen its own workforce and to make the best possible progress in the business.

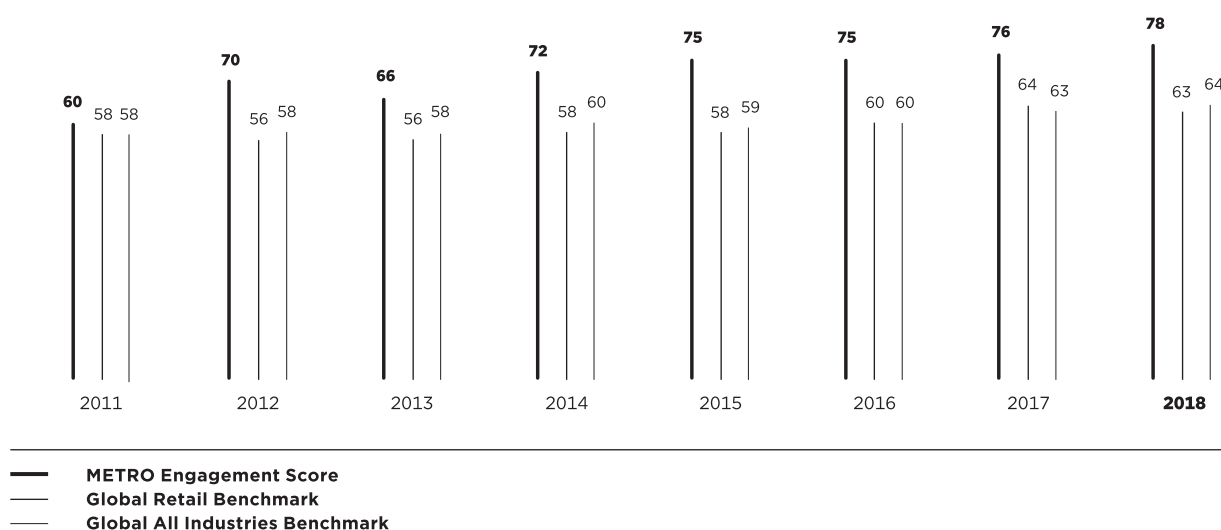
Employee commitment

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 the country subsidiaries service companies and at METRO AG. Under the slogan 'Your opinion. Our dialogue.', more than 101,000 employees were invited to participate in the survey during the reporting period. 88% of the invited employees took part in the survey. The level of commitment, which indicates the degree of connection, pride in the company, loyalty and motivation, increased by 2 percentage points to 78% in financial year 2017/18. It far exceeds the score of consulting firm Aon Hewitt's Global Retail Benchmark (63%) and continues the positive trend of previous years.

This development can be traced back to an intensive follow-up process at the team level and to group-wide initiatives that we use to promote focus on innovative ideas and encourage the appreciation and recognition of our employees.

DEVELOPMENT OF THE ENGAGEMENT SCORE

in %



Diversity management

We strongly believe that diversity and inclusion lead to better business results. In order to establish a diverse and inclusive corporate culture and to gain better access to more talent, METRO has developed a company-wide diversity approach. The goal is to create an open work environment in which individual differences are respected, valued and promoted. We strive to build a workforce in which each individual can develop and use their unique potential and strengths.

Development of employee numbers

During the reporting period, METRO employed an average of 134,877 full-time equivalents (2016/17: 137,136). This is a decrease of 1.6% compared to the same period in the previous year. The majority of our employees work outside of our home market Germany. Internationally, we had 90,749 full-time equivalents, 2.0% fewer than during the same period in the previous year. In Germany, the workforce by full-time equivalents decreased slightly to 44,128 (2016/17: 44,525). During the reporting period, METRO Wholesale employed an average of 100,335 full-time equivalents. This represents a decrease of 2.0% compared to the same period in the previous year. The workforce by full-time equivalents at Real declined by 0.8% to 26,394 while the number of full-time equivalents in the Others segment decreased by 0.2% to 8,148.

DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENTS by headcount as of the closing date of 30/9

	2017	2018
METRO Wholesale	108,007	104,453
METRO Wholesale Germany	14,105	13,711
METRO Wholesale Western Europe (excluding Germany)	27,607	27,207
METRO Wholesale Russia	16,053	13,960
METRO Wholesale Eastern Europe (excluding Russia)	29,557	29,060
METRO Wholesale Asia	20,685	20,515
Real	34,195	33,688
Others	7,269	7,251
METRO AG	912	909
METRO	150,383	146,301

— For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/employees.

OUTLOOK

The outlook is based on the assumptions of stable exchange rates and no further adjustments to the portfolio and is given only for the continued operations of METRO. Our reporting also assumes a continuously complex geopolitical situation.

Sales

Despite the persistently challenging economic environment in particular in Russia, METRO expects to see an increase in overall sales in range of 1–3% for financial year 2018/19, mainly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

METRO equally expects an increase in like-for-like sales in the range of 1–3% in financial year 2018/19, also mainly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

Earnings

EBITDA excluding earnings contributions from real estate transactions is expected to decrease by around 2–6% compared to financial year 2017/18 (€ 1,242 million), particularly driven by an expected double-digit percentage decrease in the segment Others (2017/18: € -129 million) as well as by an expected mid- to high-single-digit percentage decrease in the segment Russia. For all other segments an EBITDA around previous year level is expected.

— For more information, see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/outlook.

CONSOLIDATED FINANCIAL STATEMENTS (EXTRACT)

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2017 TO 30 SEPTEMBER 2018

€ million	Note no.	2016/17 ¹	2017/18
Sales revenues	1	29,903	29,476
Cost of sales		-24,713	-24,482
Gross profit on sales		5,189	4,994
Other operating income	2	1,336	1,259
Selling expenses	3	-4,399	-4,280
General administrative expenses	4	-937	-868
Other operating expenses	5	-370	-295
Earnings share of operating companies recognised at equity	6	14	14
Earnings before interest and taxes EBIT		833	823
Earnings share of non-operating companies recognised at equity	6	0	0
Other investment result	7	1	0
Interest income	8	43	34
Interest expenses	8	-171	-163
Other financial result	9	-32	-2
Net financial result		-159	-130
Earnings before taxes EBT		674	693
Income taxes	11	-295	-235
Profit or loss for the period from continuing operations		379	458
Profit or loss for the period from discontinued operations after taxes	12	-34	-110
Profit or loss for the period		345	348
Profit or loss for the period attributable to non-controlling interests	13	20	4
from continuing operations		(20)	(4)
from discontinued operations		(0)	(0)
Profit or loss for the period attributable to the shareholders of METRO AG		325	344
from continuing operations		(359)	(454)
from discontinued operations		(-34)	(-110)
Earnings per share in € (basic = diluted)	14	0.89	0.95
from continuing operations		(0.99)	(1.25)
from discontinued operations		(-0.09)	(-0.30)

¹ Adjustment of previous year due to discontinued operations.

BALANCE SHEET AS OF 30 SEPTEMBER 2018**Assets**

€ million	Note no.	30/9/2017	30/9/2018
Non-current assets		9,225	7,540
Goodwill	19	875	797
Other intangible assets	20	473	499
Property, plant and equipment	21	6,822	5,314
Investment properties	22	126	97
Financial assets	23	92	88
Investments accounted for using the equity method	23	183	178
Other financial assets	24	43	39
Other non-financial assets	24	174	163
Deferred tax assets	25	439	365
Current assets		6,554	7,703
Inventories	26	3,046	2,108
Trade receivables	27	575	571
Financial assets		1	1
Other financial assets	24	832	561
Other non-financial assets	24	382	353
Entitlements to income tax refunds		148	206
Cash and cash equivalents	30	1,559	1,298
Assets held for sale	31	11	2,605
		15,779	15,242

Equity and liabilities

€ million	Note no.	30/9/2017	30/9/2018
Equity	32	3,207	3,130
Share capital		363	363
Capital reserve		6,118	6,118
Reserves retained from earnings		-3,320	-3,392
Non-controlling interests		46	41
Non-current liabilities		4,197	3,406
Provisions for post-employment benefits plans and similar obligations	33	557	468
Other provisions	34	283	126
Financial liabilities	35, 37	3,095	2,590
Other financial liabilities	35, 38	67	56
Other non-financial liabilities	35, 38	95	67
Deferred tax liabilities	25	100	100
Current liabilities		8,376	8,705
Trade liabilities	35, 36	4,782	3,993
Provisions	34	456	274
Financial liabilities	35, 37	1,611	1,420
Other financial liabilities	35, 38	947	744
Other non-financial liabilities	35, 38	398	392
Income tax liabilities	35	167	191
Liabilities related to assets held for sale	31	15	1,691
		15,779	15,242

CASH FLOW STATEMENT¹
FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2017 TO 30 SEPTEMBER 2018

€ million	Note no ²	2016/17 ³	2017/18
EBIT		833	823
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	15	609	547
Change in provisions for post-employment benefits and other provisions	33, 34	-158	-201
Change in net working capital	26, 27, 36	-34	179
Income taxes paid	11	-216	-266
Reclassification of gains (-) / losses (+) from the disposal of fixed assets		-138	-139
Other		-45	-69
Cash flow from operating activities of continuing operations		851	874
Cash flow from operating activities of discontinued operations	42	176	31
Cash flow from operating activities		1,027	905
Acquisition of subsidiaries		-181	0
Investments in property, plant and equipment and in investment property (excluding finance leases)	21, 22	-452	-454
Other investments		-141	-168
Investments in monetary assets		-480	0
Disposals of subsidiaries		-54	33
Disposal of fixed assets	20, 21, 22, 23	130	154
Gains (+) / losses (-) from the disposal of fixed assets		138	139
Disposal of financial investments		583	0
Cash flow from investing activities of continuing operations		-457	-296
Cash flow from investing activities of discontinued operations	42	-144	-85
Cash flow from investing activities		-601	-381
Dividends paid	32		
to METRO AG shareholders		-12 ⁴	-254
to other shareholders		-20	-9
Redemption of liabilities from put options of non-controlling interests		-20	0
Proceeds from new borrowings		2,121	2,772
Redemption of borrowings		-2,098	-2,984
Interest paid		-164	-141
Interest received		40	28
Profit and loss transfers and other financing activities		-1	7
Transactions with the former METRO GROUP		-221	0
Cash flow from financing activities of continuing operations		-375	-581
Cash flow from financing activities of discontinued operations	42	-63	-79
Cash flow from financing activities		-438	-660
Total cash flows		-12	-136
Currency effects on cash and cash equivalents		-25	-30
Total change in cash and cash equivalents		-37	-166
Cash and cash equivalents as of 1 October		1,599	1,562
Less cash and cash equivalents reported in assets in accordance with IFRS 5		0	3
Cash and cash equivalents as of 1 October		1,599	1,559
Cash and cash equivalents as of 30 September		1,562	1,395
Less cash and cash equivalents reported in assets in accordance with IFRS 5	31	3	97
Cash and cash equivalents as of 30 September	30	1,559	1,298

¹ The cash flow statement is explained in the notes to the consolidated financial statements in no. 42 – notes to the cash flow statement (see the Annual Report 2017/18 at www.metroag.de/we-are-on-the-move/notes).

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

³ Adjustment of previous year due to discontinued operations.

⁴ 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		2015/16	2016/17 ¹	2017/18 ¹	Change in %
Key financial figures					
Sales development (like-for-like)	%	0.2	0.5	0.7	-
Sales (net)		36,549	37,140	36,534	-1.6
thereof METRO Wholesale		29,000	29,866	29,451	-1.4
thereof Real		7,478	7,247	7,077	-2.3
EBITDA excluding earnings contributions from real estate transactions		1,764	1,436	1,396	-2.8
thereof METRO Wholesale		1,666	1,413	1,321	-6.5
thereof Real		250	154	143	-7.0
thereof others/consolidation		-151	-131	-69	47.7
Earnings contributions from real estate transactions		153	175	129	-26.5
EBITDA		1,918	1,611	1,525	-5.3
EBIT		1,219	852	740	-13.2
EBT (earnings before taxes)		894	649	578	-10.9
Profit or loss for the period		519	345	348	0.9
Earnings per share (basic = diluted)	€	1.39 ²	0.89	0.95	5.9
Dividend per ordinary share	€	0.00	0.70	0.70³	0
Dividend per preference share	€	0.00	0.70	0.70³	0
Cash flow from operating activities		1,173	1,027	905	-11.9
Investments		1,007	827	811	-2.0
Equity ratio	%	18.3	20.3	20.5	-
Net debt		3,051	3,142	3,165	-
Employees (annual average by headcount)		156,852	155,082	152,426	-1.7
Stores		1,041	1,041	1,048	0.7
Selling space (1,000 m ²)		7,377	7,249	7,152	-1.3

¹ Includes the figures of the hypermarket business for sale.² Pro-forma disclosure of combined financial statements.³ Subject to the resolution of the Annual General Meeting.

INFORMATION

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