COMBINED MANAGEMENT REPORT

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Overview of the short financial year 2013 and forecast

Earnings position

- Sales of METRO GROUP, adjusted for portfolio changes and exchange rate effects, grew by 0.9 per cent to €45.0 billion in the short financial year 2013
- Reported sales decreased slightly by 2.2 per cent to €46.3 billion (in local currencies: −1.3 per cent)
- Group EBIT before special items increased to €728 million (9M 2012: €706 million)
- Profit or loss for the period before special items reached €16 million (9M 2012: €165 million)
- Earnings per share before special items amounted to €0.03 compared with €0.49 in the previous year's period

Financial and asset position

- Net debt declined markedly by €2.3 billion to €5.4 billion compared with 30 September 2012
- Investments totalled €691 million (9M 2012: €954 million)
- Cash flow from operating activities improved substantially by €0.3 billion to €−1.8 billion (9M 2012: €−2,1 billion)
- Total assets amounted to €28.8 billion (30/9/2012: €31.6 billion; 31/12/2012: €34.8 billion)
- Equity was €5.2 billion (30/9/2013: €5.6 billion; 31/12/2012: €5.7 billion); the equity ratio amounted to 18.1 per cent (30/9/2012: 17.9 per cent; 31/12/2012: 16.3 per cent)
- Long-term rating of "BBB−" (Standard & Poor's) and "Baa3" (Moody's)

Forecast of METRO GROUP

Sales

For the financial year 2013/14, we expect to see a slight rise in overall sales – even though economic momentum will remain below average and adjusted for implemented and announced portfolio measures. We used virtually consistent exchange rates in preparing this forecast.

In like-for-like sales, we expect to see a trend improvement following the previous year's level of −1.3 per cent and a level of sales that will roughly equal the previous year's level.

Earnings

In the financial year 2013/14, earnings developments will also be affected by continued below-average economic growth. As a result, we will continue to closely focus on efficient structures and strict cost management in 2013/14.

The announced changes in the real estate strategy will impact earnings. Last year, EBIT before special items of €2,000 million contained income from real estate sales that exceeded typical levels. In addition, the comparative base is reduced by the contributions from portfolio changes. Adjusted for these effects totalling about €300 million, the comparative level from the previous year is €1.7 billion. We intend to markedly exceed this level in the financial year 2013/14. We used virtually consistent exchange rates in preparing the forecast.

Change in the financial year

In the current year, METRO GROUP moved the end of its financial year from 31 December to 30 September. For transition purposes, the current financial year 2013 will be a short nine-month financial year (1 January 2013 to 30 September 2013). The upcoming financial year 2013/14 beginning on 1 October 2013 will represent a normal twelve-month financial year.

In the combined management report, the statements referring to the reporting date of 30 September 2013 are compared with the previous year's figures as of 31 December 2012 to present developments during the short financial year 2013. For statements referring to the reporting period, the short financial year 2013 will be compared with the corresponding previous year's period (1 January 2012 to 30 September 2012). Because the figures as of 30 September 2012 are from the Q3/2012 quarterly statement, which was not reviewed by an auditor, these figures are unaudited. In exceptional cases, we deviate from this approach when corresponding prior-year figures are not available or when these do not provide for suitable comparison (for instance, in the event of a high degree of seasonal fluctuation). Deviations are explicitly noted in the respective sections. The prior-year periods are referred to as "the previous year's period" (= 9M 2012) and "previous year" (= 12M 2012) in the annual report.

First-time adoption of German Accounting Standard 20 (GAS 20)

The new German Accounting Standard 20 (GAS 20) "Group Management Report" was applied for the first time in this annual report. This led to a number of changes to the management report. A new chapter "Management system" was added, in which the key management figures used in the internal management system of METRO GROUP are described. Pursuant to GAS 20, the most important key management figures form the basis for the description of business performance as well as the forecast for the next financial year. This forecast is compared with the actual performance of the most important key management figures in the following year's report. In addition, new requirements for the risk report, which was also combined with the opportunity report, were applied. Moreover, information additionally required by GAS 20 for various chapters has been provided.

Combined management report

The option of integrating the management report of METRO AG into the group management report was used for the first time in this report. The combined management report will replace the group management report in the annual report of METRO GROUP. It ends with a chapter on supplementary notes for METRO AG pursuant to the German Commercial Code.

1. Group business model

METRO GROUP's corporate structure is characterised by a clear division of responsibilities. The company is headed by METRO AG. As a central management holding company, it oversees group management functions, including, in particular, Finance, Controlling, Legal and Compliance. The central management and administrative functions for METRO Cash & Carry are formally anchored within METRO AG.

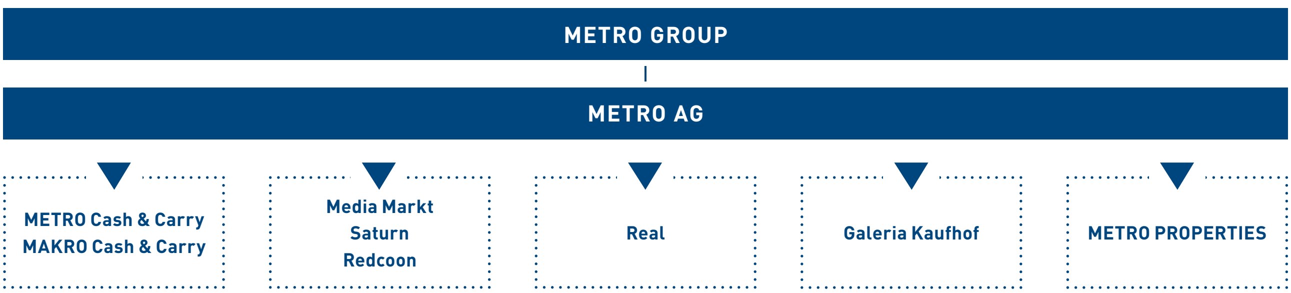
The group's operational business is handled by our four sales lines. In some cases, the sales lines operate in the market with several sales brands or through subsidiaries, depending on the respective strategy, segment and specific competitive environment.

METRO Cash & Carry is responsible for the group's cash & carry business, Media-Saturn for consumer electronics retailing, Real for hypermarkets and Galeria Kaufhof for department stores. All sales lines have undivided responsibility for their entire supply chain – from procurement through logistics to stationary and online sales.

So far, we have bundled our real estate capabilities, structures and functions in the service company METRO PROPERTIES. To ensure efficient processes within our company, the operational activities of our real estate company METRO PROPERTIES will be integrated into the sales lines during the next financial year. We will no longer disclose this segment separately.

Service companies support all METRO GROUP sales lines with services in such areas as procurement, information technology and logistics. Together with METRO AG as a management holding, they are recognised under "Others".

Overview of METRO GROUP



Overview of METRO GROUP

METRO Cash & Carry is a leading international player in self-service wholesale trade. Its brands METRO and MAKRO operate in 29 countries throughout Europe, Asia and Africa. The wholesale stores offer products and services tailored to the specific needs of professional customers, such as hotels and restaurants, catering firms, independent retailers, service providers and public authorities.

Media-Saturn is Europe's number one in consumer electronics retailing. In nearly all 15 countries where the sales brands Media Markt and Saturn have stores, the stationary business is closely dovetailed with the online offering. The pure online retailer Redcoon, in which Media-Saturn acquired a 100 per cent stake in June 2013, sells its products in ten countries. A decentralised organisational structure, attractive offers, dedicated employees and innovative marketing all contribute to the success of Media-Saturn.

Real is one of the leading hypermarket operators in Germany, where it runs both stationary stores and an online store. In addition, the sales line has locations in Turkey. All Real hypermarkets are characterised by a large proportion of high-quality fresh produce, a wide range of non-food articles and attractive prices offering good value for money. During the period under review, Real's business in Romania, Russia and Ukraine – with the exception of four stores in Romania and one store in Russia – was sold to the French retail company Groupe Auchan. The transfer of the business in Poland is scheduled to be completed in the first half of the financial year 2013/14 upon approval by antitrust authorities.

Galeria Kaufhof is the market leader in the department store segment in Germany and Belgium. In Germany, the sales line is active under the Galeria Kaufhof name, in Belgium it uses the name Galeria Inno. Its stores are characterised by high-performance assortments with international brands and top-quality own brands. Its stores' event-orientated product presentation provides for a special customer experience. Galeria Kaufhof is positioned as a modern retail brand with an unmistakable profile.

Real Estate: METRO PROPERTIES is the real estate company of METRO GROUP. On 1 October 2013, the company began to focus on the key value drivers in real estate and portfolio management, project development and transactions. In addition, the company will promote the development of selected projects which help our sales lines enhance their appeal to customers while raising the value of METRO GROUP's property portfolio. Starting in the financial year 2013/14, Real Estate will no longer be reported as a separate segment.

Portfolio of locations by country and segment

	METRO Cash & Carry			Media-Saturn			Real			Galeria Kaufhof			METRO GROUP		
	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013
Germany	**107**	**107**	**107**	**404**	**395**	**405**	**312**	**312**	**310**	**122**	**122**	**122**	**945**	**936**	**944**
Austria	12	12	**12**	47	44	**47**							59	56	**59**
Belgium	12	12	**13**	22	21	**22**				15	15	**15**	49	48	**50**
Denmark	5	5	**5**										5	5	**5**
France	93	92	**93**										93	92	**93**
Italy	49	49	**49**	115	113	**115**							164	162	**164**
Luxembourg				2	2	**2**							2	2	**2**
Netherlands	17	17	**17**	41	39	**43**							58	56	**60**
Portugal	10	10	**10**	9	9	**9**							19	19	**19**
Spain	37	34	**37**	73	69	**70**							110	103	**107**
Sweden				28	25	**29**							28	25	**29**
Switzerland				27	27	**25**							27	27	**25**
Western Europe (excl. Germany)	**235**	**231**	**236**	**364**	**349**	**362**				**15**	**15**	**15**	**614**	**595**	**613**
Bulgaria	14	14	**14**										14	14	**14**
Croatia	7	7	**7**										7	7	**7**
Czech Republic	13	13	**13**										13	13	**13**
Greece	9	9	**9**	10	10	**10**							19	19	**19**
Hungary	13	13	**13**	21	21	**21**							34	34	**34**
Kazakhstan	8	8	**8**										8	8	**8**
Moldova	3	3	**3**										3	3	**3**
Poland	41	41	**41**	63	62	**66**	53	54	**57**				157	157	**164**
Romania	32	32	**32**				24	24	**4**				56	56	**36**
Russia	68	66	**70**	45	39	**50**	18	17	**1**				131	122	**121**
Serbia	10	10	**10**										10	10	**10**
Slovakia	6	6	**6**										6	6	**6**
Turkey	27	24	**27**	28	25	**34**	12	12	**12**				67	61	**73**
Ukraine	33	32	**33**				2	1	**0**				35	33	**33**
Eastern Europe	**284**	**278**	**286**	**167**	**157**	**181**	**109**	**108**	**74**				**560**	**543**	**541**
China	64	58	**69**	7	7	**0**							71	65	**69**
Egypt	2	2	**2**										2	2	**2**
India	14	11	**15**										14	11	**15**
Japan	9	9	**9**										9	9	**9**
Pakistan	9	9	**9**										9	9	**9**
Vietnam	19	17	**19**										19	17	**19**
Asia/Africa	**117**	**106**	**123**	**7**	**7**	**0**							**124**	**113**	**123**
International	**636**	**615**	**645**	**538**	**513**	**543**	**109**	**108**	**74**	**15**	**15**	**15**	**1,298**	**1,251**	**1,277**
METRO GROUP	**743**	**722**	**752**	**942**	**908**	**948**	**421**	**420**	**384**	**137**	**137**	**137**	**2,243**	**2,187**	**2,221**

2. Management system

METRO GROUP's rigorous focus on creating added value for customers is also reflected in our internal management system. The primary objective is to create sustained value for the company by focusing on added value for customers. For this reason, METRO GROUP has been using value-orientated performance metrics since 2000 to plan, manage and monitor business activities. The corresponding value drivers that have a direct impact on value creation form the core of our operational management system. Our focus in this process is on growth (sales), operational efficiency (EBIT) and optimised capital deployment.

Please note that, in line with the formal specifications of German Accounting Standard No. 20 (GAS 20), only the most meaningful performance metrics (sales growth as well as EBIT before special items) are part of the forecast report and the comparison with actual business developments in the following year that is based on this forecast report. Voluntary forecasts of other key metrics will no longer be included in the forecast report, but in the respective chapters of the combined management report, which are indicated in the following. Unless stated otherwise, the key metrics in the consolidated financial statements, which are prepared pursuant to International Financial Reporting Standards (IFRS), are used.

Performance metrics: earnings position

For METRO GROUP as a retail and wholesale company, **sales growth** represents a key operational performance metric. As a result, sales growth is one of the key metrics of METRO GROUP and is reported both as total sales in euros and as like-for-like sales in local currency. To enhance its assessments of operational developments, the Management Board also regularly informs itself about the key drivers of sales trends, such as the online or delivery business.

Alongside sales growth, **EBIT before special items** is one of the group's key performance metrics. Adjustment for special items reflects a focus on operational developments and serves to enhance comparisons between the reporting periods.

For a description of special items, see chapter 4 Earnings position.

Earnings per share and **profit or loss for the period** are also included in METRO GROUP's performance metrics. They integrate the tax and financial result into management of the earnings position and enable shareholders to better assess the group's earnings position.

Detailed information about these performance metrics can be found in chapter 4 Earnings position.

Performance metrics: financial and asset position

METRO GROUP manages its financial and asset position to ensure the long-term liquidity of group companies and cover their funding requirements in a cost-efficient manner.

For a comprehensive overview of the financial and asset position, see chapter 5 Financial and asset position.

Performance metrics include **investments** which are planned and reported on aggregate group level as well as separately for the sales lines. In addition, the Management Board conducts differentiated assessments of different investments (for example, expansion and online business) with a view to enhancing benefits for customers and adding value for METRO GROUP.

Aside from the focus on investments, regular **working capital** analyses are carried out to maintain a focus on operations and optimised capital deployment.

The composition of working capital is shown in the notes to the consolidated financial statements in no. 41 "Notes to the cash flow statement".

Investments and working capital not only impact customer benefits and the company's value creation, but also have an effect on the company's indebtedness and financial situation. In this context, **cash flow before financing activities** and **net debt** serve as performance metrics for liquidity and the capital structure.

A detailed overview of these performance metrics can be found in chapter 5 Financial and asset position.

Value-oriented performance metrics

As METRO GROUP's management system is strongly focused on value creation for the company, it also comprises value-orientated performance metrics such as **EBIT after cost of capital (EBITaC)** and **return on capital employed (RoCE)**, which are based on the above-mentioned operational performance metrics.

These performance metrics are analysed in detail in chapter 4 Earnings position.

3. Macroeconomic and sector-specific parameters[1]

For the second consecutive year, the world's economy has slowly limped along in 2013. Overall, global economic output has even lagged behind the previous year's level with a projected level of 2.1 per cent (12M 2012: 2.4 per cent). At the beginning of the year, many European countries still found themselves in recession. During the first quarter of 2013, quarter-on-quarter economic growth in the eurozone declined for the sixth consecutive quarter. Government budget consolidation efforts have continued to impact economic growth in many European countries. At the same time, unemployment in the eurozone has risen to record levels. Both of these developments have eroded consumers' disposable income and stifled buying power. Only as the year progressed was the eurozone able to climb out of the longest recession in its history. Overall, recovery in 2013 has remained muted and the economy has shrunk once again.

Weak demand from Western Europe has impeded economic growth in other regions. Due to its strong trade ties with Western Europe, Eastern Europe has been particularly hit hard by this trend. As a result, exports to and direct investments from Western Europe have continued to remain at a low level. At the same time, governments' austerity policies have also hurt consumer demand in Eastern European countries. For these reasons, economic growth in this region in 2013 has remained below the previous year's weak level.

Although the Asian countries have continued to produce high growth rates overall, economic growth has slowed, particularly in China and India. In India, the high current account deficit led to a marked currency devaluation. Most other Asian countries where METRO GROUP operates have also experienced negative currency adjustments. Nevertheless, Asia has still produced the most growth in global comparison in 2013.

[1] The numbers indicating the development of gross domestic product in the chapter on macroeconomic and sector-specific parameters represent the entire years of 2012 and 2013. This is because comparable, uniform 9M figures are not available for all countries. As such, the figures for 2013 represent projections. The qualitative statements in the text refer to the reporting period for the short financial year.

As a consequence of weak global economic growth, consumer prices have not risen during the period under review as much as they did in the previous year. By contrast, food prices have continued to rise in many countries despite the global economic slump as a result of persistently high prices for food commodities. At times, food-price inflation has risen even higher in 2013 than in the previous year. In the eurozone, for example, the rise in food prices has totalled around 3 per cent. By contrast, consumer prices have all in all increased by only about 1.5 per cent.

In emerging countries, where a large share of disposable income is used to buy food, this development has once again posed a major problem for consumers.

Development of gross domestic product in key global regions and Germany
Percentage change year-on-year

	2012[1]	2013[2]
World	2.4	**2.1**
Germany	0.7	**0.5**
Western Europe (excl. Germany)	−0.5	**−0.3**
Eastern Europe	1.7	**1.1**
Asia	3.9	**3.9**

Source: Feri
[1] Previous year's figures may deviate from the Annual Report 2012 in the event final figures were not yet available at the reporting date
[2] Forecast

Consumer goods retailing still under pressure

The challenging economic situation and the high unemployment rate hurt consumers in 2013, creating problems for consumer goods retailing. Compared with the previous year, the parameters for retail trade deteriorated once again during the period under review. This is because the economic downturn that began in 2011 has had a delayed impact on the job market and disposal incomes. Economic recovery is being felt with a certain time lag in the retail sector.

Germany
In 2013, Germany was also unable to shield itself from the weak economic environment. Economic output declined during the first quarter in particular compared with the previous year's period. The economy has picked up over the course of the year, growing in the end by nearly 0.5 per cent (12M 2012: 0.7 per cent). Compared with the other eurozone countries,

the German economy has continued to develop in a relatively solid manner.

Unemployment has increased only slightly over the previous year's period. Disposable income has increased on the back of the past years of strong growth, raising consumer confidence levels. As a result, the retail sector has turned in a solid performance, producing nominal growth of nearly 1.5 per cent. On a price-adjusted basis, however, retail sales have remained stagnant during the period under review.

Western Europe

In many countries in Western Europe, the recession continued at the beginning of the period under review. In the second quarter, the eurozone economies expanded again for the first time following six consecutive quarters of contraction. Overall, the economy picked up over the course of the year.

The sovereign debt crisis has remained the largest drag on economic growth. While the crisis impacts all countries in Western Europe, the economic gap separating the crisis-battered periphery countries and the more robust core countries has persisted. Besides, Germany, Austria, Switzerland and the Scandinavian countries have experienced slight growth in 2013. In addition to the crisis countries Italy, Portugal and Spain, the economic chill has also been felt in France and the Netherlands.

This has once again amplified the negative effects on retail trade during the period under review. Following a year of stagnation in 2012, nominal retail sales have continued to decline during the period under review and have remained about 1 per cent below the previous year's level. Adjusted for inflation, this decline has proved even greater.

Retail performance in individual countries mirrored economic developments. Nominal sales growth has been produced primarily in Belgium, Austria, Sweden and Switzerland. The largest declines have been reported by Spain, Portugal, Italy and the Netherlands. Adjusted for inflation, almost all Western European countries have recorded declining sales.

Eastern Europe

As a result of the recession in Western Europe, Eastern Europe has produced only weak economic growth as well. On an individual level, economic performance in the countries of Eastern Europe has been very mixed. At more than 5 per cent, Kazakhstan has been expected to generate the most growth, followed by Turkey and Moldova with roughly 4 per cent. As a result, the Turkish economy has expanded slightly more than in the previous year, but it has still lagged behind the growth rates seen in recent years. Romania's economy has produced GDP growth of 2.0 per cent. The Russian economy has generated slightly less growth. Compared with the previous year, Russia's economy has weakened significantly while the Romanian economy has experienced slight growth following the previous year's stagnation. The economy of the Czech Republic has contracted once again. The economic downturn has been most severe in Greece: in 2013, the country's economy has shrunk for the sixth consecutive year.

Just like the region's economies, the momentum produced by the retailing industry varied widely. In particular, Russia and Turkey have generated nominal retail growth in the lower double digits. But this growth is below the level achieved in the previous year and due in large part to inflation. By contrast, the retail sector has been especially weak in Bulgaria and the Czech Republic. The retail sector in Greece has continued its downward trend.

Asia/Africa

Against the backdrop of the overall global economic slowdown, the emerging countries of Asia once again have generated the highest growth rates during the period under review. Despite the economic downturn, China has produced growth rates of about 7.5 per cent. As in previous years, this has been the highest growth of all countries where METRO GROUP does business. At 5.0 per cent, Vietnam has produced robust growth. By contrast, growth in India has slowed measurably, dropping below 3 per cent. On the other hand, the mature economy of Japan has produced comparatively robust growth of nearly 2 per cent. This growth has been primarily fuelled by a government stimulus plan.

Due to the comparatively robust growth rates, demand among private consumers has also been relatively stable. For these reasons, Asia has generated the highest growth in retailing of all regions where METRO GROUP does business in 2013. Once again, China has proved to be the pacesetter – with continued double-digit growth in retail. India and Vietnam have turned in similar performances. But inflation in both countries has been so high that price-adjusted retail sales have risen only slightly.

Development of gross domestic product in METRO GROUP countries
Percentage change year-on-year

	2012[1]	2013[2]
China	7.8	**7.5**
Kazakhstan	5.1	**5.4**
Vietnam	5.1	**5.0**
Moldova	–0.8	**4.1**
Turkey	2.2	**3.9**
Pakistan	4.2	**3.7**
India	3.8	**2.7**
Serbia	–1.7	**2.2**
Romania	0.4	**2.0**
Japan	2.0	**1.9**
Switzerland	1.0	**1.8**
Russia	3.4	**1.6**
Egypt	2.2	**1.5**
Slovakia	2.0	**1.2**
Poland	1.9	**1.1**
Sweden	1.0	**0.9**
Ukraine	0.2	**0.7**
Bulgaria	0.8	**0.6**
Hungary	–1.7	**0.5**
Germany	0.7	**0.5**
Austria	0.6	**0.4**
Luxembourg	0.3	**0.3**
Denmark	–0.4	**0.3**
Belgium	–0.3	**0.2**
France	0.1	**0.1**
Croatia	–2.0	**–0.2**
Netherlands	–1.3	**–1.2**
Czech Republic	–1.0	**–1.2**
Spain	–1.6	**–1.3**
Italy	–2.4	**–1.8**
Portugal	–3.2	**–2.0**
Greece	–6.4	**–3.7**

[1] Previous year's figures may deviate from the Annual Report 2012 in the event final figures were not yet available at the reporting date
[2] Forecast

METRO Cash & Carry: developments in the cash & carry business

In terms of sales and international presence, the METRO Cash & Carry sales line is the global market leader in self-service wholesale.

In the short financial year 2013, sales generated by the cash & carry segment in Germany have been below the level of the previous year's period. The cash & carry segment has once again performed worse than food retailing, which has seen a slight gain in sales revenue. Food price increases have had a positive impact on sector performance overall. METRO Cash & Carry has defended its leading market position in the cash & carry segment in Germany during the reporting year. Nonetheless, the sales line's market share has continued to fall there during the short financial year 2013.

In Western Europe, sales generated by the cash & carry segment during the short financial year 2013 have come in slightly below the level of the previous year's period. The performance of the cash & carry segment has continued to vary from country to country. Despite protracted unfavourable economic conditions, sales revenues in the crisis countries of the eurozone have fallen less than they did in the previous period. Compared with modern food retailing, overall the cash & carry business has generated weak results once again.

In Eastern Europe, sales generated by the cash & carry segment during the short financial year 2013 have surpassed the level they had reached in the previous year's period. Once again, positive price effects have fuelled growth in individual countries. As a result of contrasting economic conditions, sales results in the region have produced a mixed picture overall. As a result of favourable macroeconomic conditions, sales generated by the cash & carry segment have risen in Russia, for example. Despite domestic strife in Turkey, the positive trend there has continued as well. During the reporting period, METRO Cash & Carry was able to expand its market share in the region.

In Asia, the cash & carry segment has continued to perform strongly. Sales generated by the cash & carry segment have once again grown faster than sales in modern food retailing during the short financial year 2013. Thanks to the continued low market concentration found in many countries and the higher number of small, traditional retailers, the region continues to exhibit tremendous growth potential. It also remains a focal point of strategic expansion at METRO Cash & Carry.

Media-Saturn: developments in consumer electronics retailing

In the short financial year 2013, the Media-Saturn group of companies has maintained its leading position in European consumer electronics retailing. As a complement to its stationary stores, the sales line has continued to expand its presence in the fast-growing Internet sales channel.

In the short financial year 2013, the consumer electronics retailing segment in Germany has matched its performance of the previous year's period. One reason for this was the fact that no major sports events took place in 2013. As a result, the important TV submarket has declined sharply. Despite reduced advertising activities, Media-Saturn has been able to gain additional market share in long-term comparison and to build on the previous year's positive result. Regarding the Internet sales channel, which comprises around one-fifth of the entire German consumer electronics retailing segment, the group of companies has performed better than the online market overall.

In Western Europe, sales generated by the consumer electronics stores in the short financial year 2013 have fallen. This decline in sales has been smaller than the decrease experienced in the corresponding previous year's period. Sales in the crisis countries Spain and Portugal have continued to plummet. By contrast, the Italian market has produced marginal sales growth again.

In Eastern Europe, consumer electronics sales have continued to rise during the reporting period. Russia and Turkey have remained the main drivers of this growth. The Polish market has also continued to grow despite solid previous-year figures produced on the back of the European football championship. The consumer electronics market in Hungary has also performed well.

Overall, Media-Saturn has expanded or maintained its market share even outside Germany.

Real: developments in the food retail business

The Real sales line is Germany's number two in large-area food retailing. The German food retail business has produced slight sales growth during the short financial year 2013. Despite the strong rise in food prices, sales growth has weakened compared with the previous year. Once again, small superstores and discounters have outperformed the overall market. Sales produced by large-area superstores with selling space of more than 2,500 square metres have finished the year nominally above the previous year's level and at the same level of the overall market. On a like-for-like basis, large superstores have slightly increased their sales. Like-for-like sales at Real have declined slightly and have trailed those of competitors.

Following the sale of its Eastern European business, Real's business outside Germany now consists of stores in Turkey, four stores in Romania and one store in Russia. The Turkish food retail market has continued to grow – a trend from which Real also profited. The transfer of the business in Poland is expected in the first half of 2013/14 upon approval by the antitrust authorities.

Galeria Kaufhof: developments in the department store business

Sales in the department store segment in Germany have continued to contract during the period under review. This trend has also been true for sales of textiles and clothing, the focal points of department stores' assortments. However, this decline has been lower than the downturn experienced by the department store segment in general. The opposing market trend taken by different sales channels has continued in 2013: while mail-order sales have continued to rise significantly as a result of online sales in the textile and clothing market, sales produced by stationary stores have continued to decline. Galeria Kaufhof has bucked this trend, improving its textile and clothing sales and gaining additional market share in this segment. On a like-for-like basis, Galeria Kaufhof has also produced sales growth throughout the entire assortment.

In Belgium, the market environment has remained challenging and has dragged down Galeria Inno sales.

Real Estate: developments in the real estate business

Increased volatility on capital markets helped commercial real estate gain appeal as an asset class worldwide. As a result, global transaction volume picked up during the first nine months of 2013. Nearly all major markets could periodically record significant gains compared with the previous year's period. Although core properties remained a focal point, investors' risk appetite is growing, and they are increasingly setting their sights on secondary market segments. As a result, demand is becoming more varied. METRO PROPERTIES was able to take advantage of the favourable environment and successfully sell real estate in both saturated and emerging markets. Aside from the portfolio transaction with the sale of the second tranche of OPCI in France, individual properties such as the Ümraniye shopping centre in Istanbul could be divested.

European real estate markets generally developed positively from January to September and improved quarter by quarter. Investors continued to view established and saturated markets such as Germany, France or Great Britain as safe havens. In addition, the particularly crisis-battered Southern European markets largely recovered. As of September 2013, commercial real estate transactions across Europe totalled about €95 billion. Yields for commercial properties remained mostly stable or posted slight declines in individual markets over the course of the year.

Thanks to the high degree of stability in terms of property values and economic climate, investors' confidence in the German investment market for commercial properties remained high. This was reflected in an approximately 30 per cent increase in transaction volume during the first three quarters of 2013 compared with the same period of the previous year. Real estate investors continued to apply a risk-averse investment strategy. As a result, prime yields – given the high demand for core products – remained stable at a low level or declined slightly in all asset classes. The excess demand has resulted in an increasingly growing risk appetite. METRO PROPERTIES was able to profit from this positive environment with, amongst others, the successful sale of two revitalised speciality store centres in Dortmund and Mannheim and the Adler headquarters in Haibach.

Real estate markets in Asia and the Pacific region really picked up during the first nine months of 2013, with transaction volume for commercial properties surging almost 55 per cent over the previous period's level. At a total of about €111 billion, transaction volume was the highest ever recorded for the first three quarters of a year and reached the investment volume recorded for the entire year of 2012. Growth was primarily driven by the major investment markets like Japan and China. Yields in the premium segment for commercial properties in the region remained mostly stable.

4. Earnings position

Overview of group business developments

METRO GROUP continued to increase its sales in the short financial year 2013. In a continually challenging environment, group sales rose by 0.9 per cent to €45.0 billion (adjusted for portfolio changes and currency effects). Portfolio changes include the sale of the cash & carry business of MAKRO Cash & Carry in the United Kingdom, the divestment of Real's Eastern European business and Media Markt's withdrawal from China. All transactions were initiated in 2012.

Group EBIT before special items increased by €22 million to €728 million during the short financial year 2013.

Comparison of previous year's forecast with actual business developments

Sales

For the short financial year 2013, we expected to generate moderate sales growth for METRO GROUP (adjusted for portfolio changes). With an increase of 0.9 per cent, we met this target.

For METRO Cash & Carry (adjusted for the cash & carry business in the United Kingdom), we projected limited sales growth. Indeed, sales fell slightly by 0.2 per cent.

Media-Saturn (adjusted for Media Markt in China) should have recorded a slight rise in sales. In fact, sales developed positively, increasing by a pleasing 1.1 per cent.

At Real (adjusted for Real Eastern Europe excluding Turkey), we had planned to generate a moderate increase in sales. Sales here declined by 1.5 per cent.

For Galeria Kaufhof, we expected sales to match the previous year's level in spite of four store closings. With a decline of 0.5 per cent, this was almost achieved.

EBIT

For METRO GROUP, we expected to produce EBIT before special items at a level above the previous year's figure (9M 2012: €706 million – retrospectively adjusted). With EBIT before special items of €728 million, we slightly exceeded this target.

Sales and earnings developments

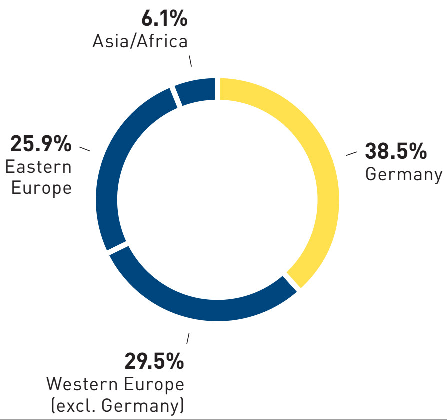
At €46.3 billion, group sales were 2.2 per cent lower than the previous year's figure in the short financial year 2013 (9M 2012: €47.4 billion). Sales declined by 1.3 per cent in local currencies. This can be attributed to the persistently challenging economic environment in many parts of Europe, the above-mentioned portfolio changes as well as negative currency effects. Adjusted for the disposal of MAKRO Cash & Carry in the United Kingdom, the divestment of Real's Eastern European business and Media Markt's withdrawal from China, sales were 0.9 per cent higher than during the previous year's period.

Development of group sales
by sales line and region

	12M 2012 € million	9M 2012 € million	9M 2013 € million	Change in % compared with the previous year's period: in €	Currency effects in percentage points	in local currencies
METRO Cash & Carry	31,636	23,029	**22,559**	−2.0	−1.5	−0.5
Media-Saturn	20,970	14,322	**14,405**	0.6	−0.4	1.0
Real	11,017	7,912	**7,261**	−8.2	−0.3	−7.9
Galeria Kaufhof	3,092	2,096	**2,086**	−0.5	0.0	−0.5
Others	24	21	**10**	−50.3	0.0	−50.3
METRO GROUP	**66,739**	**47,380**	**46,321**	**−2.2**	**−0.9**	**−1.3**
thereof Germany	25,630	17,847	**17,840**	0.0	0.0	0.0
thereof international	41,108	29,533	**28,481**	−3.6	−1.5	−2.1
Western Europe (excl. Germany)	19,808	14,281	**13,664**	−4.3	−0.1	−4.2
Eastern Europe	17,752	12,584	**12,011**	−4.5	−2.3	−2.2
Asia/Africa	3,548	2,669	**2,805**	5.1	−4.6	9.7

Sales in Germany were stable at €17.8 billion. International sales, however, declined by 3.6 per cent, and by 2.1 per cent in local currencies. As a result, the international share of sales decreased slightly from 62.3 per cent to 61.5 per cent. Sales in

Group sales of METRO GROUP 9M 2013
by region



Western Europe declined by 4.3 per cent to €13.7 billion (in local currencies: −4.2 per cent). This was partly due to the difficult economic situation in Southern Europe and, in particular, to the divestment of MAKRO Cash & Carry in the United Kingdom. Adjusted for portfolio changes, sales in Western Europe fell by just 1.4 per cent. Sales in Eastern Europe decreased by 4.5 per cent to €12.0 billion (in local currencies: −2.2 per cent), particularly as a result of the divestment of the Real hypermarkets. Growth momentum continued in the Asia/Africa region: here, sales rose markedly by 5.1 per cent, and by as much as 9.7 per cent in local currencies.

At €703 million, METRO GROUP's EBIT was €294 million higher in the short financial year 2013 than in the previous year's period. It includes special items totalling €25 million (9M 2012: €297 million). These special items include positive effects from the disposal of Real's Eastern European business. These were partially offset by negative effects, above all from the insolvency of Praktiker AG and its subsidiaries as well as restructuring expenses and goodwill impairments. In addition, these special items included expenses arising from the repositioning and streamlining of the non-food assortment at METRO Cash & Carry.

Special items are non-recurring transactions such as restructurings or changes to the group portfolio. Reporting before special items better reflects the company's operating performance and thus renders the earnings presentation more meaningful.

An overview including the reconciliation of special items can be found on pages 106 and 107.

Development of group EBITDA/EBIT and EBITDA/EBIT of the sales lines

	EBITDA[1]			EBIT[1]		
€ million	12M 2012	9M 2012	9M 2013	12M 2012	9M 2012	9M 2013
METRO Cash & Carry[2]	1,202	641	**634**	951	459	**442**
Media-Saturn	625	204	**167**	326	−6	**−33**
Real	276	134	**82**	102	−4	**−1**
Galeria Kaufhof	240	55	**62**	136	−24	**−16**
Real Estate	1,035	686	**702**	652	411	**455**
Others	−57	−41	**−24**	−168	−124	**−105**
Consolidation	−25	−9	**−20**	−20	−5	**−15**
METRO GROUP[2]	**3,296**	**1,669**	**1,603**	**1,979**	**706**	**728**

[1] Before special items
[2] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")

METRO GROUP's EBIT before special items increased from €706 million to €728 million in the short financial year 2013 – in spite of challenging market conditions and the price investments resulting from this.

Sales and earnings developments of the sales lines

METRO Cash & Carry

Sales of METRO Cash & Carry declined by 2.0 per cent in the short financial year 2013 (in local currencies: −0.5 per cent) to €22.6 billion. Like-for-like sales fell by 0.5 per cent. The exit from the UK market dampened sales growth; adjusted for this portfolio change, sales dropped by only 0.2 per cent. Higher sales with customers in the hotel, restaurant and catering (Horeca) business were more than offset by lower sales with SCO customers (services, companies, offices).

The delivery business continued its dynamic momentum and achieved strong growth of nearly 20 per cent to €2.0 billion (9M 2012: €1.6 billion). The own-brand share of sales also increased and amounted to 17.0 per cent of sales (9M 2012: 16.9 per cent).

Key figures METRO Cash & Carry 2013
in year-on-year comparison

	12M 2012 € million	9M 2012 € million	9M 2013 € million	Change in % compared with the previous year's period: in €	Currency effects in percentage points	in local currencies	like-for-like (local currencies)
Sales	31,636	23,029	**22,559**	−2.0	−1.5	−0.5	−0.5
Germany	4,955	3,563	**3,444**	−3.3	0.0	−3.3	−3.4
Western Europe (excl. Germany)	11,153	8,235	**7,750**	−5.9	−0.2	−5.7	−1.6
Eastern Europe	12,120	8,670	**8,587**	−1.0	−2.6	1.6	−0.2
Asia/Africa	3,407	2,562	**2,778**	8.5	−4.8	13.3	5.7
EBITDA[1]	1,202[2]	641[2]	**634[2]**	−1.2	–	–	–
EBIT[1]	951[2]	459[2]	**442[2]**	−3.7	–	–	–
EBIT margin (%)	3.0[2]	2.0[2]	**2.0[2]**	–	–	–	–
Locations (number)	743	722	**752**	4.2	–	–	–
Selling space (1,000 m²)	5,484	5,369	**5,554**	3.4	–	–	–

[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")
[2] Before special items

On the positive side, sales trends improved distinctly in most countries during the third quarter.

Sales in Germany fell by 3.3 per cent to €3.4 billion during the reporting period. This decline was due largely to the difficult non-food business. Like-for-like sales fell by 3.4 per cent.

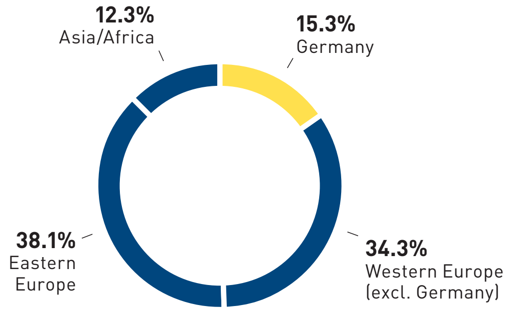
In Western Europe (excluding Germany), sales were dampened above all by the disposal of the cash & carry business of MAKRO Cash & Carry in the United Kingdom. The difficult economic environment in Southern Europe also weighed on non-food sales, in particular. Sales decreased by 5.9 per cent to €7.8 billion (in local currencies: −5.7 per cent). Adjusted for the divestment of MAKRO Cash & Carry in the United Kingdom, sales declined by only 0.8 per cent. Like-for-like sales fell by 1.6 per cent.

Sales in Eastern Europe declined slightly by 1.0 per cent to €8.6 billion, but rose by 1.6 per cent in local currencies. Developments in Russia and Turkey as well as the positive trend reversal in Poland were particularly pleasing. Like-for-like sales in the region fell slightly by 0.2 per cent.

Sales in Asia/Africa continued to grow dynamically by 8.5 per cent to €2.8 billion (in local currencies: +13.3 per cent). In particular, China and India developed very positively. Like-for-like sales showed a marked increase of 5.7 per cent.

The share of international sales of METRO Cash & Carry rose slightly from 84.5 per cent to 84.7 per cent.

Sales of METRO Cash & Carry 9M 2013
by region



METRO Cash & Carry's EBIT increased by €80 million to €339 million. Expenditures arising from the repositioning and streamlining of the non-food assortment, goodwill impairments and restructuring expenses impacted the result. EBIT before special items fell only slightly by 3.7 per cent to €442 million. The sales-induced decline in earnings and continued price investments in the food business were largely compensated by cost-cutting and efficiency-enhancing measures as well as the disposal of the loss-making UK business. With the stabilisation of its EBIT margin before special items at 2.0 per cent, METRO Cash & Carry confirmed its profitability in a difficult economic environment.

As of 30 September 2013, METRO Cash & Carry operated 752 stores in 29 countries: 107 stores in Germany, 236 in Western Europe (excluding Germany), 286 in Eastern Europe and 123 in Asia/Africa.

Media-Saturn

Media-Saturn further strengthened its European market leadership in the short financial year 2013. All in all, the sales line managed to gain market share in 9 out of 15 countries. Against this backdrop, sales increased despite the persistently difficult economic environment by 0.6 per cent to €14.4 billion (in local currencies: +1.0 per cent). Adjusted for the withdrawal from the Chinese market, sales actually grew by 1.1 per cent. Like-for-like sales, in turn, declined by 2.1 per cent. Online sales posted strong growth of 75.0 per cent to €0.8 billion, reaching a share of 5.9 per cent of total sales at Media-Saturn.

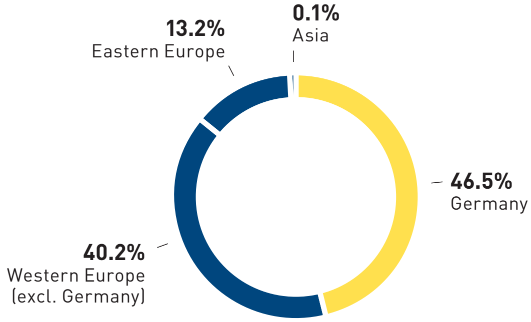
Key figures Media-Saturn 2013
in year-on-year comparison

	12M 2012 € million	9M 2012 € million	9M 2013 € million	Change in % compared with the previous year's period: in €	Currency effects in percentage points	in local currencies	like-for-like (local currencies)
Sales	20,970	14,322	**14,405**	0.6	−0.4	1.0	−2.1
Germany	9,635	6,488	**6,692**	3.1	0.0	3.1	1.6
Western Europe (excl. Germany)	8,471	5,914	**5,784**	−2.2	−0.1	−2.1	−5.9
Eastern Europe	2,731	1,820	**1,908**	4.8	−3.1	7.9	−2.9
Asia/Africa	132	100	**21**	−78.5	0.0	−78.5	–
EBITDA	625[1]	204[1]	**167[1]**	−18.1	–	–	–
EBIT	326[1]	−6[1]	**−33[1]**	–	–	–	–
EBIT margin (%)	1.6[1]	0.0[1]	**−0.2[1]**	–	–	–	–
Locations (number)	942	908	**948**	4.4	–	–	–
Selling space (1,000 m²)	3,035	2,940	**3,022**	2.8	–	–	–

[1] Before special items

In Germany, sales continued their strongly positive development during the short financial year 2013 and grew by 3.1 per cent to €6.7 billion. Even in the absence of major sports events such as the Olympic Games or international football tournaments, like-for-like sales increased by 1.6 per cent. Media-Saturn continued to increase its market share in both sales brands. Customer demand remained strong both in pure online retailing and across the sales line's multichannel product offering. We have continued to expand our multichannel offering in the Internet. As of the end of September 2013, it comprises more than 20,000 items at Mediamarkt.de and Saturn.de. At more than 40 per cent, the collection rate remained at a high level.

Sales of Media-Saturn 9M 2013
by region



Sales in Western Europe (excluding Germany) declined by 2.2 per cent to €5.8 billion (in local currencies: −2.1 per cent). Like-for-like sales fell by 5.9 per cent compared with the previous year's period. This was due largely to weak sales trends in the crisis-ridden Southern European countries as well as in the Netherlands and Sweden. In addition, the effect of value added tax increases dampened sales in the Netherlands and Spain.

In Eastern Europe, sales posted strong growth of 4.8 per cent (in local currencies: +7.9 per cent) to €1.9 billion. Like-for-like sales declined by 2.9 per cent. While sales weakened in Russia, trends in Poland were very positive.

The international share of sales at Media-Saturn declined from 54.7 per cent to 53.5 per cent.

Media-Saturn's EBIT amounted to €−54 million (9M 2012: €−3 million). Special items were incurred in connection with restructurings in Sweden and Turkey, the conversion of Saturn stores into Media Markt stores in some countries and as positive effects for risk provisions previously created for the withdrawal from China. EBIT before special items changed from €−6 million to €−33 million. This reflected price investments and the higher sales share of new media at the cost of brown goods. In addition, the downward sales trends in some countries in Western and Eastern Europe led to lower results. By contrast, more efficient cost structures had a positive impact. The previous year's period was still impacted by operating losses from the business activities in China that have since been dropped.

At the end of September 2013, the store network of Media-Saturn comprised 948 consumer electronics stores in 15 countries: 405 in Germany, 362 in Western Europe (excluding Germany) and 181 in Eastern Europe.

Real

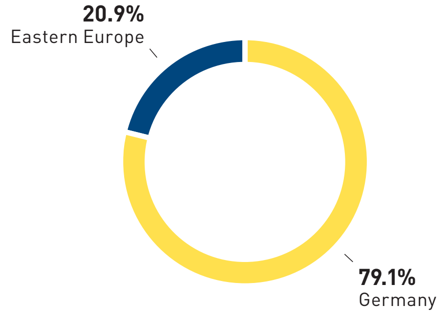
The disposal of activities in Russia, Romania and Ukraine had a strong impact on Real's sales in the short financial year 2013. Sales decreased distinctly by 8.2 per cent to €7.3 billion (in local currencies: −7.9 per cent). Like-for-like sales, in turn, declined by just 2.1 per cent.

Key figures Real 2013
in year-on-year comparison

	12M 2012 € million	9M 2012 € million	9M 2013 € million	Change in % compared with the previous year's period: in €	Currency effects in percentage points	in local currencies	like-for-like (local currencies)
Sales	11,017	7,912	**7,261**	−8.2	−0.3	−7.9	−2.1
Germany	8,117	5,818	**5,744**	−1.3	0.0	−1.3	−0.5
Eastern Europe	2,900	2,094	**1,517**	−27.6	−1.0	−26.6	−10.6
EBITDA	276[1]	134[1]	**82[1]**	−38.9	–	–	–
EBIT	102[1]	−4[1]	**−1[1]**	87.6	–	–	–
EBIT margin (%)	0.9[1]	−0.1[1]	**0.0[1]**	–	–	–	–
Locations (number)	421	420	**384**	−8.6	–	–	–
Selling space (1,000 m²)	3,043	3,036	**2,758**	−9.2	–	–	–

[1] Before special items

Sales of Real 9M 2013
by region



Sales in Germany declined by 1.3 per cent to €5.7 billion. The like-for-like drop was 0.5 per cent. The sales share of own-brand products developed favourably, increasing from 16.0 per cent to 16.4 per cent.

Sales in Eastern Europe fell by 27.6 per cent to €1.5 billion in the short financial year 2013 (in local currencies: −26.6 per cent). This decline is primarily due to the disposal of Real's business in Russia, Romania and Ukraine. Like-for-like sales declined by 10.6 per cent, due mostly to continued consumer reticence in Poland.

The international share of sales at Real contracted in response and declined from 26.5 per cent to 20.9 per cent.

EBIT grew markedly to €118 million from €0 million. It includes positive special items totalling €119 million (9M 2012: €4 million), which primarily resulted from the divestment of Real's Eastern European business. EBIT before special items improved to €−1 million from €−4 million. In Germany, EBIT before special items increased by €8 million to €−9 million. In the process, increased energy and personnel expenses were offset by reducing other store-related selling expenses.

At the end of September 2013, the store network of Real comprised 384 hypermarkets in 5 countries: 310 in Germany and 74 in Eastern Europe.

Galeria Kaufhof

As a result of four store closures in the previous year, sales of Galeria Kaufhof declined slightly by 0.5 per cent to €2.1 billion in the short financial year 2013. Like-for-like sales, in turn, grew by 0.9 per cent.

In Germany, Galeria Kaufhof posted sales of €2.0 billion in the short financial year 2013, 0.5 per cent less than in the previous year's period due to store closures. Like-for-like sales, however, grew by 1.0 per cent. Particularly strong growth was achieved in the textile assortment during the reporting period, especially in ready-to-wear clothing and accessories. As a result, Galeria Kaufhof outgrew the textile market and gained market share, particularly in women's and children's clothing. In addition, Galeria Kaufhof more than doubled its online sales to €24 million.

Key figures Galeria Kaufhof 2013
in year-on-year comparison

				Change in % compared with the previous year's period			
	12M 2012 € million	9M 2012 € million	9M 2013 € million	in €	Currency effects in percentage points	in local currencies	like-for-like (local currencies)
Sales	3,092	2,096	**2,086**	−0.5	0.0	−0.5	0.9
Germany	2,908	1,964	**1,955**	−0.5	0.0	−0.5	1.0
Western Europe (excl. Germany)	184	132	**131**	−0.6	0.0	−0.6	−0.6
EBITDA	240	55	**62[1]**	13.9	–	–	–
EBIT	136	−24	**−16[1]**	34.1	–	–	–
EBIT margin (%)	4.4	−1.2	**−0.8[1]**	–	–	–	–
Locations (number)	137	137	**137**	0.0	–	–	–
Selling space (1,000 m²)	1,441	1,440	**1,439**	−0.1	–	–	–

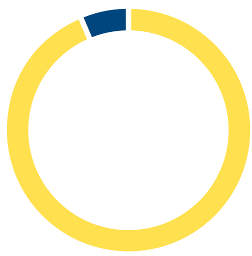
[1] Before special items

In Western Europe (excluding Germany), sales fell by 0.6 per cent to €0.1 billion. Like-for-like sales also declined by 0.6 per cent.

EBIT slipped to €−32 million (9M 2012: €−24 million). The additional measures taken to optimise the store network clearly paid off. EBIT before special items improved by €8 million to €−16 million. This can be attributed largely to cost optimisation measures.

At the end of September 2013, Galeria Kaufhof had 137 stores: 122 in Germany and 15 in Belgium.

Sales of Galeria Kaufhof 9M 2013
by region

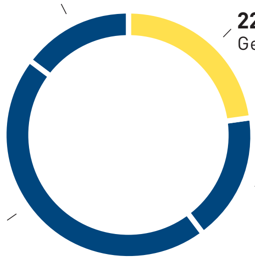


Real Estate

The Real Estate segment comprises all real estate assets owned by METRO GROUP as well as real estate-related services and contributes to our company's value creation.

As of 30 September 2013, METRO GROUP owned 565 locations (31 December 2012: 620).

Property locations (565 locations)
by region



The segment's EBIT increased to €447 million from €368 million during the short financial year 2013. The increase can be attributed to higher income from portfolio transactions, particularly from the disposal of the remaining French METRO Cash & Carry stores. This disposal income is offset by lower rental incomes as a result of divestments and higher real estate impairments. It includes positive special items from the disposal of Real's Eastern European business as well as negative special items from the insolvency of Praktiker and impairments in connection with portfolio adjustments. EBIT before special items increased by €44 million to €455 million.

Others

The "others" segment comprises, among others, METRO AG as the management holding company of METRO GROUP, the procurement organisation in Hong Kong, which also operates on behalf of third parties, as well as logistics services. In the short financial year 2013, sales in the "others" segment declined to €10 million (9M 2012: €21 million). Sales mostly comprised commissions from the Hong Kong procurement organisation's third-party business as well as from logistics.

In the reporting period, EBIT totalled €–104 million (9M 2012: €–184 million). This includes special items for expenses related to the change of the new financial year as well as risk provisions in relation to the effects of the insolvency of Praktiker AG and its subsidiaries. This was netted against reversals of provisions for restructurings and court proceedings involving shareholders. EBIT before special items improved markedly to €–105 million from €–124 million. This can be attributed largely to improved cost structures.

Financial result and taxes

€ million	12M 2012	9M 2012	9M 2013
Earnings before interest and taxes EBIT[1]	**1,395**	**409**	**703**
Result from associates and joint ventures[2]	2	2	**6**
Other investment result	15	3	**7**
Interest income/expenses (net interest result)[1]	–547	–394	**–365**
Other financial result	–36	–50	**–162**
Net financial result[1]	**–566**	**–439**	**–514**
Earnings before taxes EBT[1]	**829**	**–30**	**189**
Income taxes[1]	–714	16	**–260**
Profit or loss for the period[1]	**115**	**–14**	**–71**

[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")
[2] Revised terminology (see chapter "Notes to the group accounting principles and methods")

Financial result

The financial result comprises above all the net interest result of €–365 million (9M 2012: €–394 million) and the other financial result of €–162 million (9M 2012: €–50 million). The improvement of net interest result is primarily attributable to lower interest expenses. The change in other financial result by €–112 million is primarily due to a decline in cumulative result from currency effects and valuation results from hedging transactions and hedging relationships. This decline is due largely to developments of some Eastern European currencies and the related exchange effects and hedging transactions. In addition, currency effects in the amount of €66 million resulting from the translation of the financial statements of foreign subsidiaries that are recognised in profit or loss due to the divestment of the subsidiary and are shown as a special item in the financial result, had an effect.

Additional information on the financial result can be found in the notes to the consolidated financial statements in nos. 6 to 9 "Result from associates and joint ventures", "Other investment result", "Net interest income/interest expenses" and "Other financial result".

Taxes

The distinct decline in taxes paid or owed compared with the financial year 2012 is essentially due to lower earnings before taxes resulting from the absence of the Christmas business in the short financial year 2013. The largest share of this can be attributed to the international cash & carry business. In Germany, the decline in income tax expenses stemmed from the Media-Saturn sales line. Tax expenses of the short financial year 2013 cannot be compared with tax expenses shown in the previous year's period. The reason is that taxes are determined during quarterly reporting under the rules of interim reporting – IAS 34 (Interim Reporting) – using the so-called integral approach. Under this approach, the reported tax expenses correspond to the forecast tax rate for the year and cover a twelve-month period. But the tax result in the short financial year covers nine months.

The relatively low expenses from changes in deferred taxes in the reporting period resulted largely from the reversal or expiration of tax-deductible temporary differences in the previous year. In addition, temporary differences were carried forward proportionately in the short financial year 2013.

€ million	12M 2012	9M 2013
Taxes paid or owed	528	**232**
thereof Germany	(161)	**(67)**
thereof international	(367)	**(165)**
thereof tax expenses/income of current period	(516)	**(240)**
thereof tax expenses/income of previous periods	(12)	**(−8)**
Deferred taxes[1]	186	**28**
thereof Germany[1]	(103)	**(−9)**
thereof international[1]	(83)	**(37)**
	714	**260**

[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")

In the reporting period, the group's tax rate stood at 137.8 per cent (12M 2012: 86.2 per cent). Adjusted for special items, the ratio amounted to 94.5 per cent (12M 2012: 49.1 per cent). The group tax rate represents the relationship between recognised income tax expenses and earnings before taxes. The mathematically calculated high group tax rate is essentially due to low earnings before taxes in the short financial year 2013. As a result, slight changes in earnings or income tax expenses lead to high fluctuations in the tax rate.

Additional information on income taxes can be found in the notes to the consolidated financial statements in no. 11 "Income taxes".

Profit or loss for the period and earnings per share

Profit or loss for the period in the short financial year 2013 was €−71 million, €57 million below the previous year's figure. Net of non-controlling interests, profit or loss for the period attributable to the shareholders of METRO AG amounted to €−71 million (9M 2012: −19 € million).

Profit or loss for the period includes special items totalling €87 million (9M 2012: €179 million). As a result, profit or loss for the period adjusted for these special items stood at €16 million (9M 2012: €165 million).

In the short financial year 2013, METRO GROUP generated earnings per share of €−0.22 (9M 2012: €−0.06). As in the previous year, the calculation for the reporting period was based on a weighted number of 326,787,529 shares. Profit or loss for the period attributable to the shareholders of METRO AG of €−71 million was distributed according to this number of shares. There was no dilution from so-called potential shares in the short financial year 2013 or in the previous year.

Earnings per share before special items totalled €0.03 (9M 2012: €0.49).

		12M 2012	9M 2012	9M 2013	Change absolute	Change %
Profit or loss for the period[1]	€ million	115	−14	**−71**	−57	–
Profit or loss for the period attributable to non-controlling interests	€ million	98	5	**0**	−5	–
Profit or loss for the period attributable to shareholders of METRO AG[1]	€ million	17	−19	**−71**	−52	–
Earnings per share (basic = diluted)[1, 2]	€	0.05	−0.06	**−0.22**	−0.16	–
Earnings per share before special items[1, 2]	€	1.93	0.49	**0.03**	−0.46	−94.3

[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")
[2] After non-controlling interests

Value-oriented management

METRO GROUP's strength is reflected, amongst other things, in its ability to continuously increase the company's value through growth and operational efficiency as well as optimal capital deployment. METRO GROUP has also been using value-oriented performance metrics which draw on operational management figures since 2000 to ensure the company's sustained value creation. Since 2009, we have measured the value contribution in terms of EBITaC (EBIT after cost of capital). A positive value contribution is achieved when earnings before interest and taxes exceed the cost of capital needed to finance the average capital employed.

EBITaC = EBIT[1] – cost of capital
= EBIT[1] – (capital employed x WACC[2])

[1] Special items generally periodised over four years
[2] WACC = weighted average cost of capital

The use of the performance metric EBITaC generally enables METRO GROUP to focus on the key drivers of the operating business that management can influence: value-creating growth, increases in operational efficiency and the optimisation of capital employed. Value-creating growth is achieved through METRO GROUP's strategy of focusing on like-for-like sales growth in its existing markets, complementing the stationary business through targeted new sales channels such as online retail and delivery services as well as accelerating its expansion in select countries. In each case, our customers are at the core of our thinking and acting. In addition, METRO GROUP continues to implement measures to ensure operational and administrative efficiency and is forging ahead with the optimisation of capital deployment. Among others, the latter is reflected in the overhaul of our non-food strategy in the cash & carry business with a planned comprehensive optimisation of our assortment and an even stronger focus on our customers' needs.

The cost of capital reflects the expected remuneration of investors for the capital they provide and for their investment risk before taxes. It is calculated by multiplying the average capital employed by the weighted average cost of capital before taxes (WACC).

The cost of capital before taxes is calculated on the basis of capital market models. It corresponds to the minimum return on capital demanded by capital providers. As such, it reflects the total cost of capital employed and thus consists of equity and debt capital costs. In the short financial year 2013, METRO GROUP's cost of capital before taxes amounted to 9.6 per cent. This figure is calculated from the segment-specific cost of capital weighted according to capital employed.

Capital employed represents interest-carrying assets. It comprises segment assets plus cash and cash equivalents less trade payables as well as other operational liabilities and deferred income. We use an average capital employed that is calculated from quarterly financial statements in order to also consider developments in capital employed that occur during the relevant period.

€ million	2011/12[1]	2012/13	Delta
EBITDA before special items[2]	2,013	**2,000**	–13
EBIT after periodisation of special items[2,3]	1,737	**1,680**	–57
Capital employed	16,356	**15,076**	–1,280
WACC before taxes	9.6%	**9.6%**	
Cost of capital	–1,568	**–1,445**	123
EBITaC[2]	169	**235**	66

[1] Previous year adjusted for comparability reasons
[2] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")
[3] The effect of the special items is spread over four years

In the calculation of EBITaC, special items are generally distributed over four years on a straight-line basis and considered in EBIT. As the respective positive EBIT effects largely arise with a time lag to expenses, the distribution of these special items over several years provides for an improved presentation of operating performance. As a result, short-term special effects do not fully impact earnings during the period in which they occur. EBITaC for the short financial year 2013 was also calculated on the basis of a twelve-month period as assessments of value developments cannot sensibly be made without the Christmas quarter, a key period for retail companies.

In 2012/13, EBIT after periodisation of special items from previous years (2009/10: €329 million, 2010/11: €177 million, 2011/12: €463 million) and periodised one-time expenses from 2012/13 totalling €313 million amounted to €1,680 million. Given an average capital employed of €15,076 million, the cost of capital amounted to €1,445 million. Despite the macroeconomic challenges and increased price investments, METRO GROUP successfully deployed its capital in 2012/13 and achieved a positive EBITaC of €235 million.

Alongside EBITaC, the metric return on capital employed (RoCE) is used for the purpose of better comparability of the individual segments. RoCE measures the return on business assets deployed during the review period. For the purpose of this segment comparison, business assets also include cash rental values to account for the different ownership structures of real estate assets. METRO GROUP bases its calculation of RoCE on EBIT before special items because it adequately reflects the units' operational earnings strength independent of special effects.

RoCE = EBIT[1] / business assets including cash rental values

[1] EBIT before special items

RoCE is contrasted with the segment-specific capital cost rate before taxes as the latter represents a market-orientated minimum rate of interest on capital employed based on capital market models.

The results of the EBITaC and RoCE analysis are used, among other things, for the management of METRO GROUP's portfolio as well as for the allocation of investment funds. Medium- to long-term effects on value creation are the key factors determining the allocation of investment funds. As a result, the present value of future value added represents the key criterion for all investments within METRO GROUP. In order to also consider tax aspects in decisions on future expansion, value added after taxes is calculated. Additional criteria used to assess investment projects include, in particular, discounted cash flow and the cash recovery period as liquidity-based key performance metrics. As part of the continuously strong prioritisation during the allocation process of investment funds profitability metrics relating to the funds deployed are used in addition to strategic relevance to assess alternative investment projects.

Special items

Special items
by sales line

€ million		12M 2012 as reported	9M 2012 as reported	9M 2013 as reported	12M 2012 special items	9M 2012 special items	9M 2013 special items	12M 2012 before special items	9M 2012 before special items	9M 2013 before special items
EBITDA		**3,017[1]**	**1,542[1]**	**1,657**	**279**	**127**	**−54**	**3,296[1]**	**1,669[1]**	**1,603**
thereof	METRO Cash & Carry	1,135[1]	567[1]	**569**	67	74	**65**	1,202[1]	641[1]	**634**
	Media-Saturn	570	207	**152**	55	−3	**15**	625	204	**167**
	Real	223	135	**205**	52	−2	**−124**	276	134	**82**
	Galeria Kaufhof	240	55	**47**	0	0	**15**	240	55	**62**
	Real Estate	1,039	688	**723**	−4	−2	**−21**	1,035	686	**702**
	Others	−166	−102	**−23**	109	61	**−1**	−57	−41	**−24**
	Consolidation	−24	−9	**−16**	−1	0	**−3**	−25	−9	**−20**
EBIT		**1,395[1]**	**409[1]**	**703**	**585**	**297**	**25**	**1,979[1]**	**706[1]**	**728**
thereof	METRO Cash & Carry	688[1]	259[1]	**339**	263	200	**103**	951[1]	459[1]	**442**
	Media-Saturn	235	−3	**−54**	91	−3	**21**	326	−6	**−33**
	Real	25	0	**118**	77	−4	**−119**	102	−4	**−1**
	Galeria Kaufhof	136	−24	**−32**	0	0	**16**	136	−24	**−16**
	Real Estate	607	368	**447**	45	43	**8**	652	411	**455**
	Others	−278	−184	**−104**	109	61	**−1**	−168	−124	**−105**
	Consolidation	−19	−5	**−12**	−1	0	**−3**	−20	−5	**−15**
Net financial result		−566[1]	−439[1]	**−514**	22	21	**68**	−543[1]	−417[1]	**−446**
EBT		**829[1]**	**−30[1]**	**189**	**607**	**318**	**93**	**1,436[1]**	**289[1]**	**282**
Income taxes		−714[1]	16[1]	**−260**	9	−139	**−6**	−706[1]	−124[1]	**−266**
Profit or loss for the period		**115[1]**	**−14[1]**	**−71**	**615**	**179**	**87**	**730[1]**	**165[1]**	**16**
Profit or loss for the period attributable to non-controlling interests		98	5	**0**	0	0	**7**	98	5	**7**
Profit or loss for the period attributable to shareholders of METRO AG		17[1]	−19[1]	**−71**	615	179	**80**	632[1]	160[1]	**9**
Earnings per share in € (basic = diluted)		**0.05[1]**	**−0.06[1]**	**−0.22**	**1.88**	**0.55**	**0.25**	**1.93[1]**	**0.49[1]**	**0.03**

[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")

Special items
by region

€ million		12M 2012 as reported	9M 2012 as reported	9M 2013 as reported	12M 2012 special items	9M 2012 special items	9M 2013 special items	12M 2012 before special items	9M 2012 before special items	9M 2013 before special items
EBITDA		**3,017[1]**	**1,542[1]**	**1,657**	**279**	**127**	**–54**	**3,296[1]**	**1,669[1]**	**1,603**
thereof	Germany	938	371	**365**	195	110	**46**	1,133	481	**411**
	Western Europe (excl. Germany)	942[1]	461[1]	**439**	–10	8	**49**	932[1]	469[1]	**488**
	Eastern Europe	1,175	694	**772**	27	0	**–138**	1,202	694	**634**
	Asia/Africa	–41	8	**78**	66	9	**–11**	25	17	**67**
	Consolidation	4	8	**3**	0	0	**0**	4	8	**3**
EBIT		**1,395[1]**	**409[1]**	**703**	**585**	**297**	**25**	**1,979[1]**	**706[1]**	**728**
thereof	Germany	320	–89	**–76**	202	110	**55**	522	21	**–22**
	Western Europe (excl. Germany)	484[1]	97[1]	**240**	163	180	**68**	646[1]	277[1]	**309**
	Eastern Europe	731	435	**528**	118	–2	**–117**	849	432	**412**
	Asia/Africa	–144	–41	**8**	102	9	**18**	–42	–32	**26**
	Consolidation	4	8	**3**	0	0	**0**	4	8	**3**
Net financial result		–566[1]	–439[1]	**–514**	22	21	**68**	–543[1]	–417[1]	**–446**
EBT		**829[1]**	**–30[1]**	**189**	**607**	**318**	**93**	**1,436[1]**	**289[1]**	**282**
Income taxes		–714[1]	16[1]	**–260**	9	–139	**–6**	–706[1]	–124[1]	**–266**
Profit or loss for the period		**115[1]**	**–14[1]**	**–71**	**615**	**179**	**87**	**730[1]**	**165[1]**	**16**
Profit or loss for the period attributable to non-controlling interests		98	5	**0**	0	0	**7**	98	5	**7**
Profit or loss for the period attributable to shareholders of METRO AG		17[1]	–19[1]	**–71**	615	179	**80**	632[1]	160[1]	**9**
Earnings per share in € (basic = diluted)		**0.05[1]**	**–0.06[1]**	**–0.22**	**1.88**	**0.55**	**0.25**	**1.93[1]**	**0.49[1]**	**0.03**

[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")

5. Financial and asset position

Financial management

Principles and objectives of financial activities

The financial management of METRO GROUP ensures the permanent liquidity of the company, reduces financial risks where economically feasible and grants loans to group companies. These activities are monitored and performed centrally by METRO AG for the group through guarantees and letters of comfort. The objective is to ensure that group companies can cover their funding requirements in a cost-efficient manner and, where possible, via the international capital markets. This applies to the operating activities as well as to investments. As a matter of principle, METRO AG bases its selection of financial products on the maturities of the underlying transactions.

Intra-group cash pooling reduces the amount of debt and optimises the money market and capital market investments of METRO GROUP, which has a positive effect on net interest income. Cash pooling allows the surplus liquidity of individual group companies to be used to fund other group companies internally. METRO GROUP's financial activities are based on a financial budget for the group, which covers all relevant companies and is updated monthly. In addition, METRO AG provides 14-day liquidity plans.

METRO AG's current long-term investment grade rating of BBB–/Baa3 and short-term rating of A-3/P-3 support access to capital markets.

The following principles apply to all group-wide financial activities:

Financial unity

By presenting a single face to the financial markets, the group can optimise financial market conditions.

Financial leeway

In our relationships with banks and other business partners in the financial arena, we consistently maintain our leeway with regard to financial decisions in order to stay independent. In the context of our bank policy, limits have been defined to ensure that the group can replace one financing partner with another at any time.

Centralised risk management

We conduct financial transactions to cover our financing requirements and are concluded to hedge risks related to underlying business transactions. METRO GROUP's total financial portfolio is centrally controlled by METRO AG.

Centralised risk monitoring

Changes in financial parameters, such as interest rate or exchange rate fluctuations, can impact the financing activities of METRO GROUP. Associated risks are regularly quantified in the context of scenario analyses. Open risk positions – for example financial transactions without an underlying business transaction – may be concluded only after the appropriate approval has been granted by the Management Board of METRO AG.

Exclusively authorised contractual partners

METRO GROUP conducts financial transactions only with contractual partners who have been authorised by METRO AG. The creditworthiness of these contractual partners is tracked on a daily basis based on their ratings and the monitoring of their credit risk ratios (essentially credit default swap analyses). On this basis, the treasury controlling unit of METRO AG's Treasury department continuously monitors adherence to the authorised limits.

Approval requirement

As a matter of principle, all financial transactions of METRO GROUP companies are conducted with METRO AG. In cases where this is not possible for legal reasons, these transactions are concluded on behalf of the group company or directly between the group company and an external financial partner in coordination with METRO AG.

Audit security

The two-signature principle applies within our company. All processes and responsibilities are laid down in group-wide guidelines. The conclusion of financial transactions is separated from settlement and controlling in organisational terms.

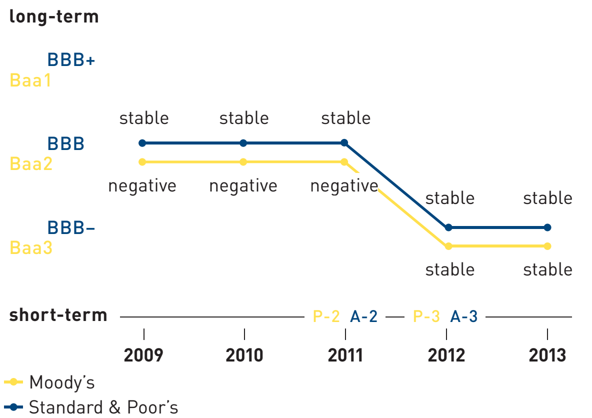
The risks stemming from financial instruments and hedge accounting are described in the notes to the consolidated financial statements in no. 43 "Management of financial risks".

Ratings

Ratings evaluate the ability of a company to meet its financial obligations. They communicate the creditworthiness of a company to potential debt capital investors. In addition, ratings facilitate access to international capital markets. METRO AG has commissioned the two leading international rating agencies – Moody's and Standard & Poor's – to continuously analyse METRO GROUP's creditworthiness.

The development of METRO GROUP's long- and short-term ratings over the past five years is depicted in the following graph:

Rating development and outlook



The current METRO GROUP ratings awarded by Moody's and Standard & Poor's are as follows:

Category	2013 Moody's	2013 Standard & Poor's
Long-term	Baa3	BBB–
Short-term	P-3	A-3
Outlook	stable	stable

Based on these ratings, METRO GROUP has access to all financial markets.

Financing measures

The company's medium- and long-term financing needs are covered by an ongoing capital market issuance programme with a maximum volume of €6 billion. In the short financial year 2013, we conducted no transactions in the context of this programme.

As of 30 September 2013, a total of €4.5 billion was utilised from the ongoing issuance programme.

Short-term financing requirements are covered through the Euro Commercial Paper Programme and a commercial paper programme geared especially to French investors. Both programmes have a maximum volume of €2 billion each. The average amount utilised from both programmes during the reporting period was €922 million. As of 30 September 2013, the used volume totalled approximately €383 million.

In addition, METRO GROUP used bilateral credit lines totalling €1,096 million as of 30 September 2013.

For further information on financing programmes and credit lines, see the notes to the consolidated financial statements in no. 36 "Borrowings".

Aside from the established issuance programmes, the company had access to sufficient liquidity via comprehensive, generally multi-year credit lines at all times. These are listed in the following table.

Unutilised lines of credit of METRO GROUP

	31/12/2012			30/9/2012			30/9/2013		
		Remaining term			Remaining term			Remaining term	
€ million	Total	up to 1 year	over 1 year	Total	up to 1 year	over 1 year	Total	up to 1 year	over 1 year
Bilateral lines of credit	2,075	433	1,642	2,097	473	1,624	**1,826**	**405**	**1,421**
Utilisation	–1,305	–308	–997	–1,331	–352	–979	**–1,096**	**–310**	**–787**
Unutilised bilateral lines of credit	770	125	645	766	121	645	**730**	**95**	**634**
Syndicated lines of credit	2,500	0	2,500	2,500	0	2,500	**2,500**	**0**	**2,500**
Utilisation	0	0	0	0	0	0	**0**	**0**	**0**
Unutilised syndicated lines of credit	2,500	0	2,500	2,500	0	2,500	**2,500**	**0**	**2,500**
Total lines of credit	4,575	433	4,142	4,597	473	4,124	**4,326**	**405**	**3,921**
Total utilisation	–1,305	–308	–997	–1,331	–352	–979	**–1,096**	**–310**	**–787**
Total unutilised lines of credit	**3,270**	**125**	**3,145**	**3,266**	**121**	**3,145**	**3,230**	**95**	**3,134**

Investments/divestments

In the short financial year 2013, METRO GROUP invested €691 million and thus €262 million less than in the previous year's period. As announced, the expansion was focused and investments were used to support sales growth at existing stores. As a result, the decline in investments is to a large extent due to reduced expansion activities. This was reflected in a smaller number of 34 store openings including additions compared with 40 store openings in the previous year's period. Adjusted for extensions of finance leases, investments in the modernisation and maintenance of the existing store network are slightly higher than in the previous year's period.

Investments of METRO GROUP

				Change	
€ million	12M 2012	9M 2012	9M 2013	absolute	%
METRO Cash & Carry	407	219	**211**	–8	–3.4
Media-Saturn	291	197	**183**	–14	–7.3
Real	115	128	**63**	–65	–50.6
Galeria Kaufhof	89	55	**60**	6	10.2
Real Estate	425	276	**113**	–163	–59.1
Others	111	79	**61**	–18	–22.7
METRO GROUP	**1,437**	**954**	**691**	**–262**	**–27.5**

In the short financial year 2013, **METRO Cash & Carry** invested €211 million and thus €8 million less than in the previous year's period. The sales line set up a cash committee to focus more strongly on the efficient use of investment funds to boost sales growth. Specifically, the funds approved by the cash committee were invested in concept changes, IT and security-relevant modernisation. The slight decline in investments compared with the previous year's period is the result of reduced expansion activities (ten new store openings in 9M 2013 compared with 21 new openings in 9M 2012). The targeted nature of the expansion activities is not fully reflected in these figures as the investments into land purchases and the construction of stores in connection with the expansion are included in the Real Estate segment. The expansion activities continued to focus on China and Russia, where six and two new METRO Cash & Carry stores, respectively, were added to the existing store network. One new METRO Cash & Carry store each was opened in India and Belgium. One store was closed in China.

In the short financial year 2013, investments of **Media-Saturn** amounted to €183 million, €14 million less than in the previous year's period. The slight decline in investments can be attributed to reduced investments in the modernisation of the existing store network and expansion of the store network. 20 new stores were opened during the reporting period. The focus of the expansion was on Eastern Europe, where 14 new consumer electronics stores were opened. Six new stores were opened in Turkey and five new stores in Russia. Three new stores were added in Poland. In Western Europe (excluding Germany), the store network was expanded by four stores: two in the Netherlands and one each in Sweden and Spain. Two stores were opened in Germany. In addition, 14 stores were closed during the financial year. The withdrawal from the Chinese market resulted in the closure of seven stores. In addition, four stores were closed in Spain, two in Switzerland and one in Germany.

In the short financial year 2013, **Real** invested €63 million. That is €65 million less than in the previous year's period. The decline in investments was the result of the withdrawal from the Russian, Romanian and Ukrainian markets and the planned disposal of the Polish business as well as a decline in new commitments from finance leases. Among other things, the invested funds were used to advance the business model through new concepts. In the short financial year 2013, Real expanded its store network by four stores in Poland and disposed of a total of 39 stores. This concerns, in particular, the divestment of Real Romania (20 stores), Real Russia (17 stores) and Real Ukraine (two stores). In addition, the existing store network was reduced by another two stores in Germany as a result of store closures.

Investments at **Galeria Kaufhof** totalled €60 million in the reporting year, an increase of €6 million over the previous year's period. The investments primarily involved concept and modernisation measures. In the short financial year 2013, no new stores were opened and no existing department stores were closed.

Investments in the **Real Estate** segment amounted to €113 million in the reporting year and thus €163 million below the previous year's level. The investments involved the expansion and maintenance of the real estate portfolio as well as the acquisition of real estate in connection with the expansion of the METRO Cash & Carry sales line. The decline in investments compared with the previous year's period is largely due to the lower number of new store openings at METRO Cash & Carry.

Investments in the **"others"** segment totalled €61 million in the short financial year 2013 (9M 2012: €79 million). The investments were largely attributable to intangible assets and business and office equipment.

Investment obligations incurred for the acquisition of property, plant and equipment and intangible assets as well as investment properties amount to €129 million.

Information on this is included in the notes to the consolidated financial statements in no. 19 "Other intangible assets", no. 20 "Property, plant and equipment", and no. 21 "Investment properties".

From divestments, METRO GROUP received cash and cash equivalents of €1,487 million, which resulted primarily from the disposal of Real's Eastern European business and the sale of real estate.

Additional information about divestments is included in the "Cash flow statement" in the consolidated financial statements as well as in the notes to the consolidated financial statements in no. 41 "Notes to the cash flow statement".

Liquidity (cash flow statement)

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

During the reporting period, total cash outflow of €1,768 million (9M 2012: €–2,095 million) was generated from operating activities. Investing activities led to cash inflows of €747 million (9M 2012: €–600 million). Compared to the previous year's period, this results in an increase in cash flow before financing activities of €1,674 million to €–1,021 million. Cash outflow from financing activities totalled €1,690 million (9M 2012: €+1,403 million).

Additional information is included in the "Cash flow statement" in the consolidated financial statements as well as in the notes to the consolidated financial statements in no. 41 "Notes to the cash flow statement".

Cash flow statement[1]

€ million	12M 2012	9M 2012	9M 2013
Cash flow from operating activities	**2,340**	**–2,095**	**–1,768**
Cash flow from investing activities	**–626**	**–600**	**747**
Cash flow before financing activities	**1,714**	**–2,695**	**–1,021**
Cash flow from financing activities	**279**	**1,403**	**–1,690**
Total cash flows	**1,993**	**–1,292**	**–2,711**
Currency effects on cash and cash equivalents	17	12	**–24**
Change in cash and cash equivalents	**2,010**	**–1,280**	**–2,735**

[1] Abridged version. The complete version is shown in the consolidated financial statements.

Capital structure

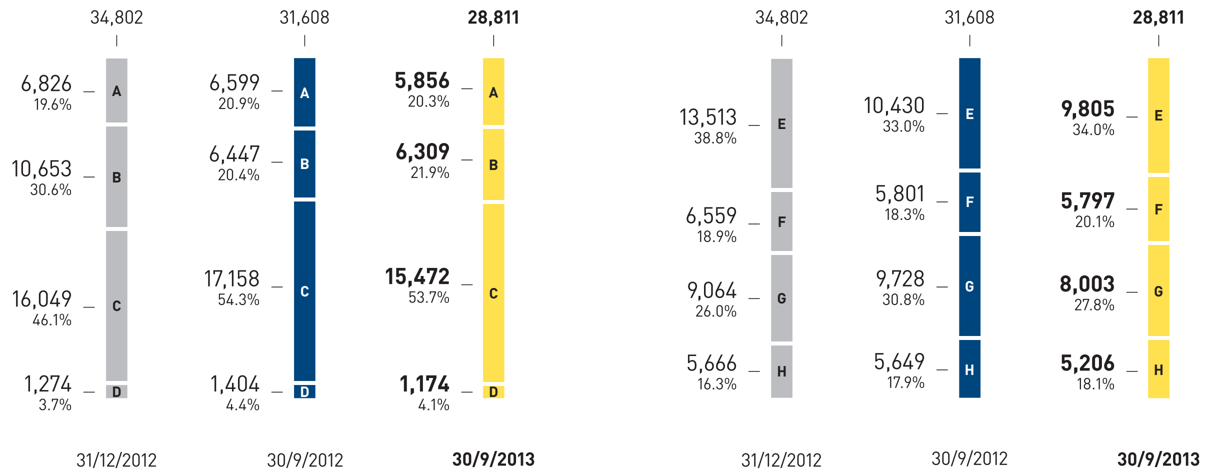
Capital structure of METRO GROUP
€ million

ASSETS

A Inventories (current)
B Other current assets
C Property, plant and equipment and intangible assets
D Other non-current assets[1]

LIABILITIES

E Trade payables (current)
F Other debt capital (current)
G Debt capital (non-current)[1]
H Equity[1]



[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")

As of 30 September 2013, METRO GROUP's balance sheet showed equity of €5,206 million (30/9/2012: €5,649 million; 31/12/2012: €5,666 million). Since 31 December 2012, reserves retained from earnings have fallen by €421 million. This reduction was largely due to the dividend payment of €327 million for the financial year 2012. The equity ratio stood at 18.1 per cent (30/9/2012: 17.9 per cent; 31/12/2012: 16.3 per cent). The share of reserves retained from earnings in equity totalled 34.4 per cent compared with 39.1 per cent on 31 December 2012. The shares of non-controlling interests declined by €46 million to €27 million compared with 31 December 2012. The decrease is due mostly to the share of comprehensive income attributable to non-controlling interests (€0 million) less dividends (€–51 million).

€ million	Note no.	31/12/2012	30/9/2012	30/9/2013
Equity	31	**5,666**	**5,649**	**5,206**
Share capital		835	835	**835**
Capital reserve		2,544	2,544	**2,551**
Reserves retained from earnings[1]		2,214	2,239	**1,793**
Non-controlling interests[1]		73	31	**27**

[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")

Net debt stood at €5,391 million (30/9/2012: €7,734 million; 31/12/2012: €3,245 million). It is calculated by netting financial liabilities including finance leases of €7,963 million (30/9/2012: €9,814 million; 31/12/2012: €8,550 million) with cash and cash equivalents according to the balance sheet of €2,564 million (30/9/2012: €2,075 million; 31/12/2012: €5,299 million) as well as monetary investments of €8 million (30/9/2012: €5 million; 31/12/2012: €6 million).

€ million	31/12/2012	30/9/2012	30/9/2013
Cash and cash equivalents according to the balance sheet	5,299	2,075	**2,564**
Monetary investments > 3 months < 1 year[1]	6	5	**8**
Borrowings (incl. finance leases)	8,550	9,814	**7,963**
Net debt	**3,245**	**7,734**	**5,391**

[1] Shown in the balance sheet under "other financial and non-financial assets (current)"

As of 30 September 2013, non-current liabilities were comprised largely of non-current financial liabilities totalling €5,763 million (30/9/2012: €7,052 million; 31/12/2012: €6,736 million). Their decline was largely due to maturity-induced reclassifications to current borrowings.

In the short financial year 2013, trade payables declined to €9,805 million (30/9/2012: €10,430 million; 31/12/2012: €13,513 million). The distinctly lower figure compared with 31 December 2012 is largely attributed to the sales lines Media-Saturn and METRO Cash & Carry. The main reason for this is the high volume of liabilities resulting from the Christmas business at the end of the year, which was reduced to a normal level in the subsequent quarter. Compared with 30 September 2012, trade payables declined by €625 million. The largest share of this decline was generated by Real as a result of the divestment of its Eastern European business. In addition, suppliers' shortened payment targets and currency effects at METRO Cash & Carry and Media-Saturn contributed to the decline. As of 30 September 2013, current borrowings totalled €2,200 million (30/9/2012: €2,762 million; 31/12/2012: €1,814 million). The increase compared with 31 December 2012 is largely attributable to reclassifications of non-current financial liabilities totalling €756 million for maturities in the next financial year. This was netted against redemptions of commercial papers in the amount of €205 million as well as redemptions of note loans totalling €150 million. As of 30 September 2013, at €2,531 million, current other financial and non-financial liabilities were distinctly lower than on 31 December 2012 (30/9/2012: €2,364 million; 31/12/2012: €2,910 million). This was essentially due to the high value added tax liabilities from the Christmas business at the end of the calendar year. The decline in income tax liabilities by €110 million compared with 31 December 2012 resulted primarily from tax payments made in the context of domestic and foreign tax statements assessed for taxation. "Liabilities related to assets held for sale" totalled €264 million and resulted largely from the divestment of Real's business in Poland, which has not yet been disposed of due to conditions precedent.

Compared with 31 December 2012, the debt ratio dropped by 1.8 percentage points to 81.9 per cent. Current liabilities accounted for 66.1 per cent of total debt compared with 68.9 percentage points as of 31 December 2012.

Information on the maturity, currency and interest rate structure of financial liabilities as well as on lines of credit can be found in the notes to the consolidated financial statements in no. 36 "Borrowings".

€ million	Note no.	31/12/2012	30/9/2012	30/9/2013
Non-current liabilities		**9,064**	**9,728**	**8,003**
Provisions for pensions and other commitments[1]	32	1,518	1,483	**1,508**
Other provisions	33	424	422	**429**
Borrowings	34, 36	6,736	7,052	**5,763**
Other financial and non-financial liabilities	34, 37	227	615	**176**
Deferred tax liabilities	24	159	156	**127**
Current liabilities		**20,072**	**16,231**	**15,602**
Trade liabilities	34, 35	13,513	10,430	**9,805**
Provisions	33	644	539	**621**
Borrowings	34, 36	1,814	2,762	**2,200**
Other financial and non-financial liabilities	34, 37	2,910	2,364	**2,531**
Income tax liabilities	34	291	136	**181**
Liabilities connected to assets held for sale	30	900	0	**264**

[1] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")

Additional information on the development of liabilities is shown in the notes to the consolidated financial statements in the numbers listed in the table. Information on contingent liabilities and other financial obligations can be found in the notes to the consolidated financial statements in no. 44 "Contingent liabilities" and no. 45 "Other financial obligations".

Asset position

In the short financial year 2013, total assets decreased by €5,991 million to €28,811 million. In the short financial year 2013, non-current assets declined by €677 million to €16,646 million.

Non-current assets

€ million	Note no.	31/12/2012	30/9/2012	30/9/2013
Non-current assets		**17,323**	**18,562**	**16,646**
Goodwill	18	3,780	4,022	**3,763**
Other intangible assets	19	407	418	**393**
Property, plant and equipment	20	11,324	12,202	**10,709**
Investment properties	21	199	207	**156**
Financial investments	22	247	252	**319**
Investments accounted for using the equity method[1]	22	92	57	**132**
Other financial and non-financial assets[2]	23	360	327	**337**
Deferred tax assets	24	914	1,077	**837**

[1] New balance sheet item (see chapter "Notes to the group accounting principles and methods")
[2] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")

Property, plant and equipment amount to €10,709 million (30/9/2012: €12,202 million; 31/12/2012: €11,324 million). The decline in property, plant and equipment is largely attributable to negative currency effects in Russia, Turkey and Japan. In addition, investments fell short of scheduled depreciation and impairment losses in the reporting period. As of 30 September 2013, deferred tax assets amounted to €837 million (30/9/2012: €1,077 million; 31/12/2012: €914 million). The decline compared with 31 December 2012 resulted primarily from ongoing carry-forwards of temporary differences in the short financial year 2013.

Additional information on the development of non-current assets can be found in the notes to the consolidated financial statements in the numbers listed in the table.

Current assets

€ million	Note no.	31/12/2012	30/9/2012	30/9/2013
Current assets		**17,479**	**13,046**	**12,165**
Inventories	25	6,826	6,599	**5,856**
Trade receivables	26	568	532	**547**
Financial investments		22	55	**8**
Other financial and non-financial assets	23	2,886	2,892	**2,601**
Income tax refund entitlements		347	662	**297**
Cash and cash equivalents	29	5,299	2,075	**2,564**
Assets held for sale	30	1,531	231	**292**

Current assets fell by €5,314 million to €12,165 million. As of 30 September 2013, METRO GROUP had inventories totalling €5,856 million (30/9/2012: €6,599 million; 31/12/2012: €6,826 million). The decline of €970 million in the short financial year 2013 is largely due to strong inventory reduction at Media-Saturn. The main reason for this was the season-related high level of inventories as of 31 December 2012, which was markedly reduced in the subsequent quarter. Compared with 30 September 2012, inventories fell by €743 million. Key factors for this were the inventory-optimising measures taken by the sales lines Media-Saturn and METRO Cash & Carry as well as the divestment of Real's Eastern European business. The decline in income tax refund claims by €50 million to €297 million in comparison with 31 December 2012 is mainly the result of realised withholding tax credits. As of 30 September 2013, cash and cash equivalents amounted to €2,564 million (30/9/2012: €2,075 million; 31/12/2012: €5,299 million). The decline compared with 31 December 2012 is mostly attributable to the high liquidity at the end of the calendar year resulting from the Christmas business. The increase compared with 30 September 2012 is primarily the result of the divestment of Real's Eastern European business, real estate transactions and lower investment volume. Due mostly to the disposal of Real's Russian, Ukrainian and Romanian businesses, "assets held for sale" declined by €1,239 million to €292 million.

Additional information on the development of current assets can be found in the notes to the consolidated financial statements in the numbers listed in the table.

Overall statement by the Management Board of METRO AG on the development and situation of METRO GROUP

The short financial year 2013 has been a successful financial year for METRO GROUP. We have continued to advance all sales lines' business and forged ahead with our transformation. Apart from the outstanding approval from antitrust authorities in Poland, the sale of Real's Eastern European business was implemented successfully. As a result and thanks to our disciplined investment policy, we have achieved another distinct reduction in METRO GROUP's debt.

The Management Board is very pleased about business developments, partly because all communicated goals for METRO GROUP were achieved.

We believe we are well-positioned for the Christmas business and look with confidence to the financial year 2013/14.

6. Employees

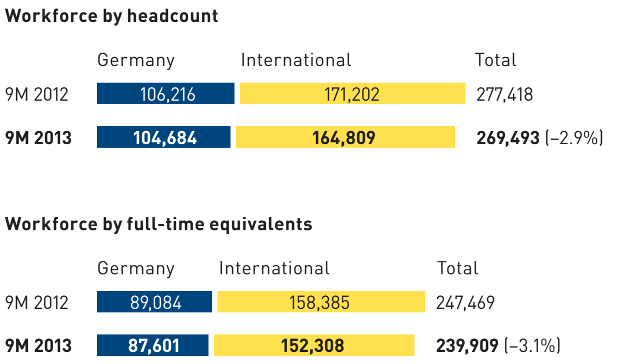
It is the goal of our company to ensure that it produces long-term growth in sales and earnings. To achieve this goal, we need dedicated employees who bring our strategy to life on the job every day and, above all, create added value for our customers. They must be people who are literally "Made to Trade.", that is, they must think like entrepreneurs and take responsibility into their own hands. As a result of this requirement, we continue to have a special need for motivated and qualified employees. Realising that the shortage of highly skilled employees will increase in the wake of demographic change, we apply long-range human resources policies: we systematically invest in the professional and occupational growth of young employees as well as in individual initial and further training programmes and foster a management culture on the basis of our mission statement. Our objective is to attract the very best employees, to support them in accordance with their drive and abilities, and to strengthen their long-term bond with our company. By taking this approach, we are determined to become the employer of choice among current and future employees.

Development of staff numbers

During the period under review, METRO GROUP employed an average of 239,909 full-time equivalents (9M 2012: 247,469). This is a decrease of 3.1 per cent from the previous year's period. The large majority of our employees work outside our German home market. In Western Europe (excluding Germany), Eastern Europe and Asia/Africa, we had 152,308 full-time equivalents, 3.8 per cent less than during the same period of the previous year. A key reason for this decrease was the divestment of Real's business in Eastern Europe. In Germany, the number of full-time equivalents fell by 1.7 per cent to 87,601.

During the period under review, our METRO Cash & Carry sales line had an average of 111,395 full-time equivalents. This is a decrease of 2.0 per cent from the previous year's period. Media-Saturn employed an average of 56,338 full-time equivalents in the reporting period, an increase of 0.5 per cent compared with the previous year's period. At Real, the number of full-time equivalents fell by 10.4 per cent to 45,238. At Galeria Kaufhof, the number of full-time equivalents decreased by 2.7 per cent to 17,231 in 2012 compared with the previous year's period. In the Real Estate segment, we had 1,614 full-time equivalents, an increase of 12.2 per cent compared with the previous year's period. The number of full-time equivalents in the "others" segment decreased slightly by 0.7 per cent to 8,093.

Development of employee numbers of METRO GROUP
Average



Development of personnel expenses

Our personnel expenses fell by 2.9 per cent to €5.4 billion (9M 2012: €5.6 billion) compared with the previous year's period. Of this total, €4.4 billion (9M 2012: €4.6 billion) was attributable to wages and salaries, including income taxes and employees' contributions to social insurance programmes. The rest was attributable to social welfare contributions, pension expenses and employee benefits.

We encourage our staff to set up their own private pension accounts. Our group-wide future package provides them with voluntary benefits that exceed collective bargaining standards generally seen in the industry. In the reporting year, 55,064 employees in Germany took advantage of these benefits (9M 2012: 55,579 employees). This represents a share of 53.9 per cent (9M 2012: 53.9 per cent).

Additional information about personnel expenses is available in the notes to the consolidated financial statements in no. 16 "Personnel expenses".

Development of employee numbers by country and segment
by headcount as of closing date

	METRO Cash & Carry			Media-Saturn			Real			Galeria Kaufhof		
	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013
Germany	**15,520**	**15,567**	**14,914**	**26,676**	**25,855**	**26,447**	**37,810**	**37,850**	**36,944**	**21,582**	**19,939**	**19,944**
Austria	2,088	2,060	**2,088**	2,761	2,629	**2,668**						
Belgium	3,601	3,251	**3,226**	1,541	1,440	**1,521**				1,357	1,256	**1,218**
Denmark	768	738	**755**	28	29	**28**						
France	8,816	8,715	**8,808**	13	13	**17**						
Italy	4,732	4,690	**4,449**	6,918	6,891	**6,754**						
Luxembourg				137	125	**125**						
Netherlands	4,631	4,454	**4,625**	4,612	4,550	**4,415**						
Norway				2	5							
Portugal	1,213	1,196	**1,191**	515	512	**490**						
Spain	4,030	3,848	**3,837**	6,034	5,393	**5,213**						
Sweden				2,159	1,925	**1,850**						
Switzerland				1,351	1,331	**1,226**						
United Kingdom				3	3	**1**						
Western Europe (excl. Germany)	**29,879**	**28,952**	**28,979**	**26,074**	**24,846**	**24,308**				**1,357**	**1,256**	**1,218**
Bulgaria	2,485	2,495	**2,366**									
Croatia	1,116	1,151	**1,111**									
Czech Republic	3,489	3,527	**3,473**									
Greece	1,061	1,101	**1,028**	795	743	**752**						
Hungary	2,653	2,649	**2,626**	1,139	1,140	**1,079**						
Kazakhstan	1,361	1,436	**1,208**									
Moldova	712	705	**655**									
Poland	6,444	6,670	**6,014**	4,787	4,621	**4,694**	9,270	9,339	**9,064**			
Romania	5,440	5,484	**5,325**				5,691	5,809	**643**			
Russia	19,286	17,340	**17,955**	4,219	3,703	**4,125**	4,526	4,439	**271**			
Serbia	1,540	1,537	**1,444**									
Slovakia	1,387	1,375	**1,341**									
Turkey	4,407	4,361	**4,450**	1,728	1,603	**2,403**	1,767	1,818	**1,796**			
Ukraine	6,789	6,356	**5,309**				840	507	**0**			
Eastern Europe	**58,170**	**56,187**	**54,305**	**12,668**	**11,810**	**13,053**	**22,094**	**21,912**	**11,774**			
China	9,995	8,839	**10,824**	786	791	**18**						
Egypt	469	510	**447**									
India	3,119	2,985	**3,186**									
Japan	1,011	994	**1,069**									
Pakistan	1,938	1,970	**1,910**									
Singapore[1]	0	0	**34**									
Vietnam	3,872	3,917	**3,636**									
Asia/Africa	**20,404**	**19,215**	**21,106**	**786**	**791**	**18**						
USA[2]	**5**	**5**	**3**									
International	**108,458**	**104,359**	**104,393**	**39,528**	**37,447**	**37,379**	**22,094**	**21,912**	**11,774**	**1,357**	**1,256**	**1,218**
METRO GROUP	**123,978**	**119,926**	**119,307**	**66,204**	**63,302**	**63,826**	**59,904**	**59,762**	**48,718**	**22,939**	**21,195**	**21,162**

[1] Employees in Singapore work in administrative companies
[2] US employees are employees of the Boston Trading Office (BTO). The trading office is responsible for seafood procurement.

Real Estate			Others			METRO GROUP		
31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013
663	**671**	**648**	**5,765**	**5,822**	**5,667**	**108,016**	**105,704**	**104,564**
						4,849	4,689	4,756
						6,499	5,947	5,965
						796	767	783
						8,829	8,728	8,825
						11,650	11,581	11,203
						137	125	125
			10	10	10	9,253	9,014	9,050
						2	0	0
						1,728	1,708	1,681
						10,064	9,241	9,050
						2,159	1,925	1,850
			90	95	88	1,441	1,426	1,314
						3	3	1
			100	**105**	**98**	**57,410**	**55,159**	**54,603**
						2,485	2,495	2,366
						1,116	1,151	1,111
						3,489	3,527	3,473
						1,856	1,844	1,780
66	63	68				3,858	3,852	3,773
6	7	5				1,367	1,443	1,213
						712	705	655
412	411	435	128	118	128	21,041	21,159	20,335
0	1	0	559	519	654	11,690	11,813	6,622
374	326	392	822	802	637	29,227	26,610	23,380
						1,540	1,537	1,444
						1,387	1,375	1,341
117	118	111	18	18	18	8,037	7,918	8,778
0	0	2	8	8	9	7,637	6,871	5,320
975	**926**	**1,013**	**1,535**	**1,465**	**1,446**	**95,442**	**92,300**	**81,591**
0	0	13	524	535	490	11,305	10,165	11,345
						469	510	447
			402	378	417	3,521	3,363	3,603
						1,011	994	1,069
						1,938	1,970	1,910
						0	0	34
						3,872	3,917	3,636
0	**0**	**13**	**926**	**913**	**907**	**22,116**	**20,919**	**22,044**
						5	5	3
975	**926**	**1,026**	**2,561**	**2,483**	**2,451**	**174,973**	**168,383**	**158,241**
1,638	**1,597**	**1,674**	**8,326**	**8,305**	**8,118**	**282,989**	**274,087**	**262,805**

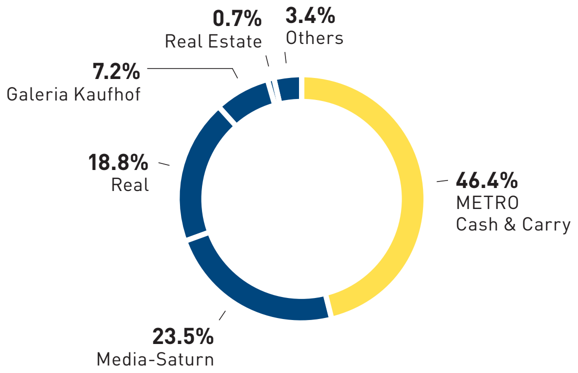
Development of employee numbers by country and segment
full-time equivalents as of closing date[1]

	METRO Cash & Carry			Media-Saturn			Real			Galeria Kaufhof		
	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013
Germany	**13,355**	**13,421**	**12,848**	**23,692**	**23,299**	**23,685**	**29,077**	**29,138**	**28,479**	**17,471**	**16,457**	**16,286**
Austria	1,877	1,855	**1,878**	2,375	2,293	**2,305**						
Belgium	2,939	2,696	**2,705**	1,434	1,338	**1,419**				1,042	980	**977**
Denmark	526	513	**518**	28	29	**28**						
France	8,465	8,354	**8,448**	13	13	**17**						
Italy	4,140	4,083	**3,893**	6,422	6,164	**6,029**						
Luxembourg				131	120	**120**						
Netherlands	2,713	2,703	**2,772**	2,556	2,539	**2,450**						
Norway				2	5	**0**						
Portugal	1,153	1,141	**1,132**	485	479	**463**						
Spain	3,634	3,498	**3,481**	5,141	4,622	**4,389**						
Sweden				1,642	1,422	**1,320**						
Switzerland				1,205	1,203	**1,085**						
United Kingdom				3	3	**1**						
Western Europe (excl. Germany)	**25,448**	**24,842**	**24,826**	**21,437**	**20,227**	**19,624**				**1,042**	**980**	**977**
Bulgaria	2,429	2,421	**2,338**									
Croatia	1,101	1,131	**1,093**									
Czech Republic	3,332	3,378	**3,313**									
Greece	955	993	**920**	723	684	**693**						
Hungary	2,528	2,539	**2,545**	1,115	1,114	**1,060**						
Kazakhstan	1,361	1,436	**1,208**									
Moldova	712	705	**655**									
Poland	6,106	6,320	**5,728**	4,736	4,571	**4,646**	8,511	8,566	**8,314**			
Romania	5,424	5,469	**5,311**				5,622	5,745	**638**			
Russia	19,055	17,142	**16,353**	4,198	3,681	**4,105**	4,404	4,295	**271**			
Serbia	1,540	1,537	**1,444**									
Slovakia	1,378	1,367	**1,332**									
Turkey	4,405	4,359	**4,310**	1,728	1,602	**2,403**	1,611	1,653	**1,636**			
Ukraine	6,294	6,087	**5,065**				840	507	**0**			
Eastern Europe	**56,619**	**54,885**	**51,613**	**12,501**	**11,652**	**12,906**	**20,989**	**20,766**	**10,859**			
China	9,943	8,829	**10,724**	786	789	**18**						
Egypt	469	510	**446**									
India	3,108	2,973	**3,167**									
Japan	727	734	**755**									
Pakistan	1,889	1,939	**1,910**									
Singapore[2]	0	0	**33**									
Vietnam	3,770	3,819	**3,560**									
Asia/Africa	**19,905**	**18,804**	**20,595**	**786**	**789**	**18**						
USA[3]	**4**	**4**	**3**									
International	**101,976**	**98,535**	**97,037**	**34,724**	**32,669**	**32,548**	**20,989**	**20,766**	**10,859**	**1,042**	**980**	**977**
METRO GROUP	**115,331**	**111,956**	**109,885**	**58,416**	**55,967**	**56,234**	**50,065**	**49,904**	**39,337**	**18,513**	**17,438**	**17,263**

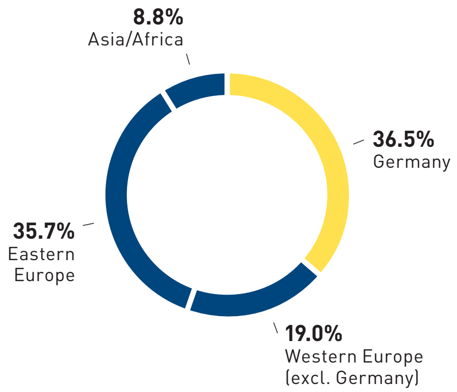
[1] Including possible rounding differences
[2] Employees in Singapore work in administrative companies
[3] US employees are employees of the Boston Trading Office (BTO). The trading office is responsible for seafood procurement.

Real Estate			Others			METRO GROUP		
31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013	31/12/2012	30/9/2012	30/9/2013
624	**630**	**607**	**5,701**	**5,767**	**5,607**	**89,920**	**88,711**	**87,513**
						4,252	4,149	**4,183**
						5,415	5,014	**5,100**
						554	542	**546**
						8,478	8,366	**8,464**
						10,562	10,247	**9,922**
						131	120	**120**
			9	9	**10**	5,278	5,251	**5,232**
						2	5	**0**
						1,638	1,620	**1,595**
						8,775	8,120	**7,870**
						1,642	1,422	**1,320**
			83	87	**83**	1,288	1,290	**1,168**
						3	3	**1**
			92	**96**	**93**	**48,018**	**46,146**	**45,520**
						2,429	2,421	**2,338**
						1,101	1,131	**1,093**
						3,332	3,378	**3,313**
						1,678	1,677	**1,613**
66	63	**68**				3,710	3,716	**3,673**
1	1	**1**				1,362	1,437	**1,209**
						712	705	**655**
411	410	**434**	121	111	**122**	19,886	19,978	**19,243**
0	1	**0**	559	519	**654**	11,605	11,735	**6,603**
369	319	**392**	808	790	**637**	28,835	26,227	**21,758**
						1,540	1,537	**1,444**
						1,378	1,367	**1,332**
117	118	**111**	18	18	**18**	7,879	7,750	**8,477**
0	0	**2**	8	8	**9**	7,142	6,602	**5,076**
964	**912**	**1,007**	**1,514**	**1,446**	**1,440**	**92,586**	**89,661**	**77,825**
0	0	**10**	518	530	**484**	11,247	10,148	**11,236**
						469	510	**446**
			401	377	**416**	3,509	3,350	**3,583**
						727	734	**755**
						1,889	1,939	**1,910**
						0	0	**33**
						3,770	3,819	**3,560**
0	**0**	**10**	**919**	**907**	**900**	**21,610**	**20,500**	**21,523**
						4	4	**3**
964	**912**	**1,017**	**2,525**	**2,449**	**2,432**	**162,219**	**156,310**	**144,870**
1,588	**1,542**	**1,625**	**8,225**	**8,215**	**8,039**	**252,138**	**245,021**	**232,383**

Employees by segment
full-time equivalents



Employees by region
full-time equivalents



Far-sighted human resources policies

The future of our company depends largely on our ability to react flexibly and rapidly to changing business conditions and customer needs. Within METRO GROUP, we empower our employees to optimally fulfil the expectations of our customers. By assuming the social responsibility that falls to us as an employer, we are simultaneously responding to demographic change: a shrinking labour pool, a rising average age of employees around the world and growing migration to Western Europe. In the race to attract the best experts and managers, our far-sighted human resource policies give us a considerable edge.

The human resource policies of METRO GROUP are therefore designed to promote the long-term commitment of qualified employees to our company. During the reporting period, average job tenure rose by 0.4 to 9.1 years. The group-wide turnover rate totalled 18.1 per cent (9M 2012: 17.9 per cent). In Germany, the turnover rate fell once again, dipping to 7.7 per cent (9M 2012: 8.1 per cent).

One critically important element in our effort to measure our staff's morale and commitment to our company is the global employee survey that we regularly conduct in the countries where METRO Cash & Carry does business and in the headquarters. As part of the follow-up process, executives obtain in-depth insights into the survey results, discuss these with their teams and develop measures to improve employee satisfaction and retention. In the reporting period, the data were collected for the sixth time. To inform staff and managers about the processes involved in the survey and to underscore its fundamental importance, we developed information packs, training programmes and e-learning modules. 89 per cent of employees of the company units that were surveyed responded to the questionnaire. The results of the survey: since the previous survey was conducted, the satisfaction level (number of committed employees) rose from 56 per cent to 66 per cent. As a result, the score was 10 percentage points above the Global Retail Average Benchmark of Aon Hewitt. This positive trend can be attributed in part to the group-wide initiatives that we use to increasingly promote a focus on innovative ideas and encourage recognition of our staff. Our dialogue-focused corporate culture and our candid and trusting working relationship also helped to improve the level of satisfaction in the company.

Executive development and succession planning

At METRO GROUP, systematic executive development is a central responsibility of the companies' general managements as well as of the strategic management holding company, METRO AG. By taking this approach, we ensure that the skills and expertise of our managers are methodically honed to meet our company's needs and strategic goals. Furthermore, we can systematically offer international career paths to our executives – regardless of the sales line or segment in which they work. Our career planning processes also enable us to identify the right candidates for key positions in the company and support them. As a result, we can fill vacancies from our own ranks. In the reporting period, the in-house succession rate for the top-management level – that is, in particular managing directors of group companies as well as divisional heads of METRO AG – was 86 per cent.

Individual job performance reviews

Once a year, we conduct an individual job performance review with our top managers as part of the RESULTS & GROWTH process. The objective of these reviews is to better measure progress and abilities as well as to create a feedback culture that focuses on individual job performance and professional growth. At the beginning of each financial year, priorities are defined as a way of providing direction. These goals are reviewed during a half-yearly interview and modified when necessary. At the end of each financial year, the job performance review is held. This meeting includes a feedback interview that covers both the achievement of the priority goals and observance of leadership principles. In various other companies, annual job performance reviews are carried out with most managers and employees.

Systematic succession planning

As part of the recently introduced Leadership Talent Review, succession planning is conducted for our core positions once a year. During this review, we examine the skills, abilities and experience of every potential succession candidate and rate these individuals in terms of a position's particular responsibilities. The process ensures that we identify and support suitable candidates for key positions at an early stage. During a subsequent professional development evaluation, employees and their supervisors jointly create a subsequent career development plan and determine targeted measures. As a result, the Leadership Talent Review acts as something more than a succession-planning tool. It also serves as a systematic, long-term development process for candidates for top positions in our company.

Programmes for management development

We have made the professional development of our managers a high priority at all of our companies. To help to train and qualify current and future managers at METRO Cash & Carry and the headquarters, we developed three new programmes during the reporting year: "Impact", "Connect" and "Excellence". Each programme is designed to address the different needs of respective groups. Our instructors are drawn in part from the ranks of our own top managers. In addition, we bring in international partners and experts to ensure that the topics and issues covered by the programmes always reflect the latest findings of research. These external partners include the Institut Européen d'Administration des Affaires (INSEAD) in Fontainebleau, France, and the London Business School, England. During the reporting period, more than 100 future and current managers took part in the programmes.

Performance-based compensation of top executives

At the end of 2012, we reviewed the remuneration policies for our top executives and integrated them into our new remuneration principles and leadership guidelines. Our new remuneration system PERFORM & REWARD comprises a fixed monthly base salary and variable compensation components whose total is tied to our company's business performance. The total amount of variable compensation is determined in part by an executive's individual role in the creation of additional customer value and his or her efforts to practice the leadership principles of our company on the job each day. The new system was introduced on a binding basis during the financial year 2013.

Remuneration principles

The remuneration model of the top managers of METRO GROUP, or the executives, is based on the following four principles:

- Fair and consistent compensation – comparable positions at METRO GROUP receive comparable pay. The basis for this is our internal grading system for job profiles.
- Performance-based pay – the amount of variable compensation is tied to the company's business performance and the role played by the executives. By linking individual performance and goal achievement to variable compensation, we strengthen executives' shared sense of responsibility for the company's overall success.
- Market-driven and appropriate salaries – we regularly assess the remuneration level of comparable companies to ensure that we offer competitive compensation. But we must be always able to afford to pay the remuneration. This means that it must reflect the business performance of METRO GROUP.
- Encouragement of role-model behaviour – the variable compensation total is also based on whether METRO GROUP's management principles are being integrated into everyday business activities and, as a result, are furthering our strategy to create customer value and achieve the highest levels of operational performance.

Remuneration components

The primary elements of our remuneration model are the base salary, one-year compensation (short-term incentive) and multi-year variable compensation (long-term incentive). In addition, METRO GROUP provides its executives with a company pension scheme that includes both contribution- and performance-based components. The contribution-based components are financed in equal parts by the company and the executive.

Additional information on compensation at METRO GROUP can be found in chapter 9 Remuneration report.

Initial and further training

To meet our demand for highly skilled employees, we must carry out staff training. With a vocational training quota – including interns and students – of 7.7 per cent (9M 2012: 7.6 per cent), we are one of Germany's largest trainers. We also provide young people in many other countries where our sales lines do business with an opportunity to enter the work world. During the reporting period, our company had a total of 9,101 trainees around the world, a drop of 0.5 per cent.

In Germany, we hired 2,351 new trainees during the reporting period. The total number of our trainees during the reporting period was 7,248, a rise of 6.8 per cent compared with the previous year's period. We focus on needs-based training in nearly all sales lines. As a result, we can generally hire a large number of trainees at the end of the programme. Nonetheless, the company's shifting needs each year can cause the total number of trainees to fluctuate. During the reporting period, 61.4 per cent of trainees who completed the programme received an employment contract afterwards. We also profit from the good performance of our young staff: 94.9 per cent of those tested successfully completed their training programme in the reporting year. The high quality of our training programmes has earned the respect of external experts. In the reporting year, the trade journal "Lebensmittel Praxis" honoured the special performance of three trainers at METRO Cash & Carry and Real.

In addition to 29 traditional training occupations, we offer young people to join a dual-training programme that can lead to a bachelor's degree. This programme combines college-level studies at a university of cooperative education or a university of applied science with practical training at a METRO GROUP location. We currently offer nine college-level programmes at various institutions of higher learning in Germany. At the beginning of the winter semester 2013/14, 309 students were taking part in the programme.

Ensuring a high level of training quality and promoting the company's own younger generation – these are the top goals of our sales lines' training efforts. The aim is not just to teach traditional training content. Young people also have the opportunity to take on responsibility at an early stage and to show their commitment. One example of this approach is the "Frisch vom Nachwuchs" (Fresh food from young talent) project at our Real sales line: In this programme, 20 to 25 trainees take over responsibility for fresh-food departments that sell meat, cold cuts and cheese. During this project, they work on their own to manage the sales operation and merchandise flows. They also oversee in-house production. Another example of the Real sale line's training activities is the project called "Handeln aus Verantwortung – Azubis zeigen wie" (Reponsible trade – demonstrated by trainees). During this project, trainees carried out a campaign on sustainability at about 40 Real hypermarkets across Germany. In the "ECOCARE" competition, the programme was ranked second in the project category by the trade journal "Lebensmittel Praxis".

Continuous professional development

METRO GROUP is determined to promote life-long learning among its staff as a way of responding to current and future challenges in retailing. The House of Learning oversees the design and execution of company-specific employee-development programmes at METRO Cash & Carry. This center develops comprehensive training courses for key positions and helps to introduce them in every country where METRO Cash & Carry does business. Education experts and internationally renowned retailing specialists jointly devise modern, target-group-orientated training solutions. The focus is placed on the qualification of employees and managers who work in sales, purchasing, marketing and finance. The Royaumont training campus near Paris offers classroom seminars where international students can network and discuss issues.

To provide employees at all levels with access to qualification and professional development solutions, we offer a combined programme of flexible, computer-assisted learning (e-learning) and training. During the reporting period, 50,596 employees of METRO Cash & Carry took part in e-training, and a total of 190,095 e-training modules were completed. We use the "train-the-trainer approach", that is, we train employees who have already completed centrally developed qualification programmes to provide instruction to their local colleagues. This approach enables us to reach a large number of employees. Topics covered in the training programmes include product knowledge, customer orientation, negotiating techniques, project management and soft skills.

The other sales lines are also setting standards in further training. In one reflection of this, more than 110 employees at Real successfully completed a programme offered by the German Chamber of Industry and Commerce that qualified them as specially trained employees for quality baked goods. The certification is the second such partnership with the chamber in Düsseldorf. In 2012, the partners created a programme that targets specially trained employees for fresh fish and fish delicacies. More than 240 Real employees have taken part in the programme, including during the reporting period.

Diversity management

METRO GROUP is one of the leading international retail and wholesale companies. Our employees are just as diverse as our customers, stores and suppliers. During the reporting year, people from 170 countries worked for METRO GROUP. In management levels 1 to 3 – that is, Management Board/General Management, divisional management, main departmental or departmental management and store management – managers from 56 countries work for our company. The average age of our workforce was 38.3 years (9M 2012: 38.0 years). At the same time, we also open the way for older employees to rejoin the working world. During the reporting period, METRO GROUP hired 382 full-time equivalents (9M 2012: 439) in the age group of 50 plus. Internationally, the total was 659 (9M 2012: 647) employees. The share of members of the workforce in this age group totalled 19.1 per cent (9M 2012: 18.1 per cent). In Germany, they made up 33.3 per cent of the workforce (9M 2012: 30.3 per cent).

During the reporting year, we also employed 5,884 people with recognised severe disabilities or the equivalent in Germany. As a result, the quota exceeds the minimum legal requirement of 5 per cent. Our company also works to support the long-term provision of training positions for people with disabilities: in one reflection of this effort, our sales lines began in 2007 to promote the project Integrated Training with Vocational Education Centres organised by the German Association of Vocational Education Centres. This programme makes it possible for young people with disabilities to receive occupational training.

In 2013, our Galeria Kaufhof sales line also joined the "InkA – Inklusive Ausbildung", a programme initiated by UnternehmensForum to assist people with disabilities. The aim of the initiative is to create 20 additional training slots for young people with severe disabilities among all participating companies for both of the training years 2013 and 2014.

Real has also directed its attention towards young people who were unable to quickly find a training position in the labour market or who are not fully prepared to assume such a position, have learning difficulties or are underprivileged. Our sales line gives them an opportunity to take part in a company job-entry qualification programme. This is a national occupational orientation programme in Germany that is part of the National Pact for Career Training and skilled Manpower Development. It was initiated by the German Employment Agency in conjunction with the business community, chambers of industry and commerce, and chambers of skilled crafts. Over a period of six to 12 months, the young people are introduced to a training occupation, a company and the working world. The initial qualification programme serves as a door opener for a training position or job. During the reporting period, more than 70 young people at Real took part in the programme. About 50 per cent began an apprenticeship position after completing the programme.

METRO GROUP is clearly committed to the goal of further increasing the diversity of the company's workforce. As early as 2007, we signed the so-called "Charter of Diversity" – one of Germany's most widely supported initiatives on this issue with more than 1,600 backers. Last year, we joined the association that goes by the same name. In January 2013, METRO GROUP, together with four other companies and institutions, began to be represented on the board of directors of "Charta der Vielfalt e. V.". We intend to be a role model for diversity management, to attract attention to the importance of this issue and win over further supporters.

Equal opportunities
As part of our diversity management, we promote the equal professional opportunities of men and women. Together with other listed German companies, METRO GROUP has made a voluntary pledge to increase the number of women in management levels 1 to 3. We aim to reach a share of 20 per cent by the end of 2013. The share of women in management positions is to reach 25 per cent by the end of 2015. We will keep these goals in mind while conducting recruiting activities and succession planning.

The share of women in the entire workforce was 55.0 per cent during the reporting period (9M 2012: 55.3 per cent). In management positions in the levels 1 to 3, 18.5 per cent of managers were female (9M 2012: 19.6 per cent). This decline resulted from the divestment of Real's business in Eastern Europe. The share of women in management positions in the region exceeded the average in the entire company.

During the reporting period, two employee initiatives set up in 2012 to address the issues of "women" and "gender" were merged into the joint Women in Trade (WiT) network. The network is open to interested individuals of both genders and is designed to sustainably encourage women and help them grow professionally at METRO GROUP. The network intends to help to raise the share of women in management positions over the long term, promote an internal and external dialogue about relevant issues and to create better working conditions for women in the company through discussion. WiT fosters the internal networking of employees by setting the agenda, developing target-group-specific formats and creating a mentoring programme. The network is international and is aimed at colleagues in all countries.

Work-life balance

To make METRO GROUP more diverse, programmes to improve employees' work-life balance are essential.

Since February 2012, our headquarters in Düsseldorf has been providing three day-care centres with 238 full-time slots for children ranging from four months old to the starting age for school. One special feature of "METRO-Sternchen" is its bilingual concept: the staff speak German and English to the children. During the reporting period, we again offered a holiday childcare programme at our company headquarters. More than 106 children of employees took part.

The share of part-time employees at METRO GROUP dipped to 27.9 per cent compared with the previous year's period (9M 2012: 27.5 per cent). In Germany, 44.6 per cent of our staff work part time (9M 2012: 44.3 per cent).

As a company, we believe that it is critically important to draw on the potential of our experienced older employees. To help older employees make the transition to retirement, our Galeria Kaufhof sales line worked with the "Centrum zur nachberuflichen Orientierung Ceno e.V." (centre for post-occupational orientation) in Cologne to launch a pilot project at the beginning of 2013. Over the course of an event, the collaboration partners informed employees in the headquarters in Cologne and in the outlet in Cologne-Nippes about ways to use and share their professional experience in volunteer positions.

In July 2013, the headquarters of Media-Saturn was honoured for the second time as a family-friendly company as part of the audit "berufundfamilie" (career and family) sponsored by the charitable Hertie Foundation. The company was recognised initially in 2010.

Occupational safety and health management

The health and safety of our employees are a top priority at our company. For this reason, we take steps to prevent potential accidents and physical problems that could be connected to work processes or could occur on the job every day. The 1,000-person quota for METRO GROUP companies in Germany was 23.11 in 2012. This means that there were 23.11 accidents per 1,000 full-time equivalents. To facilitate an internationally uniform evaluation of occupational safety at METRO GROUP, we are currently working on a standard group-wide definition.

A fundamental objective of our health managements activities is to address the growing demands of the working world and demographic trends. By offering programmes such as instruction on back exercises, physical fitness courses, corporate sports activities, nutrition and ergonomic consulting services and stress-prevention training, we help our employees to remain physically and mentally strong throughout their working lives.

In our work on occupational safety and health management, we underscore the responsibility that each METRO GROUP company must assume in this regard. These companies are charged with following occupational safety laws and group-wide standards as well as with implementing their own projects. METRO AG ensures that information is exchanged in a cross-company and transnational manner. We seek to achieve two goals with this work: First, we intend to save time and money by providing information about model projects throughout the group. Resources can be efficiently used only if all project directors know what their colleagues inside and outside Germany are planning and what they are working on. Second, we intend to use systematic knowledge transfers to achieve a high international level regarding occupational safety and health management. Our projects include the preparation of online training courses: We translate training programmes devised by country organisations into English and provide this information to all companies. Countries that are still setting up occupational safety systems are given high-quality tools and information.

To systematically improve occupational safety and to methodically promote the good health of employees, our sales lines carry out their own projects. Galeria Kaufhof, for instance, undertook a further step to support its managers and employees. In September 2013, the sales line handed out the practical guide called "No Stress with Stress" to all stores and departments. The information is published by the "Initiative Neue Qualität der Arbeit" (initiative new quality of work) and is designed with managers in mind. It contains many specific suggestions that can be applied on the job each day and offers practical tips about healthy management. As a way of appealing to each individual's own sense of responsibility regarding this issue, all employees also received a brochure containing tips, checklists and testimonials about practical ways to apply the advice on the job.

Transforming corporate cultures

In its strategy, METRO GROUP has set the goal of markedly raising added value for its customers. This requires that our employees know, grasp and support the strategy. Furthermore, they must be given an opportunity to put this strategy into practice. To facilitate this, the corporate cultures in the sales lines must be transformed.

During the reporting year, METRO Cash & Carry, the largest sales line at METRO GROUP, launched a sweeping process aimed at altering the culture. During conferences held in 2012, members of the company's management drew up new guiding principles for all employees and managers. These objectives are:

— Customer orientation
— Global entrepreneurship
— Success through excellence
— Trust in our people
— Authentic leadership
— Sustainability

During the reporting year, these guiding principles were initially integrated into personnel programmes and processes that had been introduced as part of employee development. In this manner, we provide strong support to the company's new direction with the aim of creating a corporate culture that is characterised by mutual support, responsibility for every individual and personal growth. As part of "Leadership for Growth" workshops conducted by METRO Cash & Carry, around 26,000 employees and managers from 22 countries talked about cultural change. Over the medium term, the sales line will incorporate all employees in this process – beginning with executives in management levels 1 to 3 and extending to employees in stores and administrative positions. This represents a significant investment in the leadership abilities of all employees of METRO Cash & Carry.

These workshops represent the first step of a long-term change process. As a company, we believe that managerial actions are the driving force behind professional growth. Business growth is closely linked to the personal and professional growth of employees. The aim of "Leadership for Growth" is to sharpen the ability of every individual employee to manage himself or herself and to create the necessary conditions for cultural change.

The company's other sales lines are also systematically working to shape and fuel cultural change. At Real, for instance, the sales line is evolving from a more centrally run unit into a more decentrally managed operation that focuses more closely on the customer.

Personnel marketing

In the competition for the best skilled employees and executives, we take steps that polish our image among potential applicants. To ensure that a targeted message is delivered to skilled employees and executives, we took an array of steps during the reporting period designed to sharpen our profile as an employer brand and to position METRO GROUP among relevant target groups.

At a central level, we collaborate with selected universities, colleges of applied sciences and student organisations as a way of recruiting the managers of tomorrow. As part of this work, we support the international association Enactus, which brings together about 60,000 students around the world. By contributing funds and ideas, we play a role in the promotional programme Accounting Talents at the University of Münster, which recognises outstanding work performed by students in the areas of accounting and controlling. METRO GROUP also attends job fairs to tell students and college graduates about our company and the wide range of job-entry and career opportunities it offers.

In 2012, METRO GROUP took another step that is designed to promote a direct dialogue with college students and graduates by initiating a partnership with the career network "careerloft". In this programme, we support members by informing them about internships and job openings as well as offering mentors from our company. We also offer exclusive events organised in conjunction with our sales lines. One example of this activity is the METRO Cash & Carry Experience Day held in July 2013. Selected students were given far-reaching insights into the world of the METRO Cash & Carry sales line. The Experience Day included a company presentation, "speed-dating" conversations and a company-related case study. A tour of the Düsseldorf wholesale store rounded off the day.

At the beginning of the reporting year, METRO GROUP also created a company profile in the XING social network. The page's 1,418 members will be continuously informed about group news and job openings.

Our personnel marketing activities focus intensely on target groups. For this reason, we transfer responsibility for implementing personnel marketing campaigns to our sales lines and cross-divisional service companies. These organisations have the best understanding of their target groups and their needs and can take appropriate steps to reach them. In the process, we assist them by facilitating a cross-company and transnational exchange of information. Using this system, project managers from the countries where the company does business and the individual sales lines regularly inform one another about current activities and potential synergies.

One example of personnel marketing undertaken by our sales lines are the occupational-selection events that Real offers at schools. The sales line also takes part in national campaign days like Girls' Day and Boys' Day: in reporting year 2013, about 450 young people took a look behind the scenes at the company for an entire day and had an opportunity to learn about various training opportunities. To recruit young people, Real also takes advantage of a number of other channels. These include broadcasting national radio spots in Germany, providing information about training on own-brand products and adding content to the sales line's Facebook page. During the reporting year, Media-Saturn also participated in Girls' Day. The group of companies provided information in particular about the interesting and challenging technical jobs available in information technology (IT). For the third time, Galeria Kaufhof organised Girls' and Boys' Day as a family day for the children and grandchildren of employees and their friends. In doing so, the sales line also expressed its admiration for families with children.

In addition, Galeria Kaufhof completely redesigned its online career page and let their employees speak on the sales line's behalf – in videos, handwritten statements and accounts about work. The career page is also available as a mobile version with less content.

Employer of choice

Independent rankings confirm the appeal of METRO GROUP as an employer inside and outside Germany. For instance, a survey of European students conducted by the European research institute trendence found that our company ranked among the 100 most attractive employers in Europe (75th place). The personnel policies of our company are recognised at the country level as well. For instance, MAKRO Cash & Carry Belgium and MAKRO Cash & Carry Spain were named as top employers once again during the reporting year.

7. Innovation management

As a retail and wholesale company, METRO GROUP does not make its own products and hence does not conduct research and development in the strict sense of the term.

Nonetheless, we do see ourselves faced with the challenge of addressing the structural changes occurring in the shopping behaviour of private and professional customers. The main drivers of these changes are the trends towards increasing digitalisation and enhanced mobility. These trends are not just shaping shopping behaviour. They are also influencing how customers inform themselves about products, services and deals and share this information with others. Against this backdrop – and to meet our customers' changing expectations of us – we have defined business innovation as a central subject area for our company. Our objective is to first ensure that our existing sales concepts remain relevant to private and professional customers for years to come and continuously create added value for our customers. One example of this is the delivery service operated by METRO Cash & Carry. Secondly, we also intend to establish new sales concepts related to these trends. This includes the pure Internet sales channel operated by the Redcoon sales brand, in which Media-Saturn increased its stake to 100 per cent during the period under review.

You will find examples of the innovative products and services offered by our sales lines in the chapter "Strategic positioning of METRO GROUP" on pages 36 to 49.

Business innovation: focus and organisation

To ensure effective innovation management, we regularly analyse and evaluate current trends in retail and related sectors. We also identify promising developments and assess how we can increase added value for customers with new technologies, processes and concepts, make our processes more efficient and adopt more sustainable business practices. As part of our business innovation activities, we are focusing on

- cultivating a dialogue with innovative partners to tap external know-how and new expertise for METRO GROUP;
- launching our own projects and initiatives within METRO GROUP;
- defining innovation focal points that are relevant to our current and future customers and facilitate additional growth;
- boosting METRO GROUP's innovative strength in order to systematically and quickly turn ideas into real-world concepts.

Dialogue with external partners

One example of the dialogue with external partners described above is the METRO GROUP Future Store Initiative that was launched in 2002. Today, this alliance includes nearly 70 companies and organisations from the consumer goods industry, the information and communication technology sector, the service sector and the scientific community. The partners jointly test innovative solutions designed to meet the challenges of operational business.

During the period under review, we also began to lay the foundation for a globally unique initiative promoting the traceability of fresh foods. As part of this work, we are collaborating with GS1, a service provider of global standards for the optimisation of value added chains. We took the first step by launching a pilot project in the product group fresh fish in the spring of 2013. GS1's globally valid standards allow a broad range of application across retailers, product categories and borders. In this process, decentralised data storage and a centrally available data-search function facilitates the provision of information by business partners along the process chain all the way to the end customer.

Projects and initiatives

In the area of radio frequency identification (RFID), a technology whose potential we identified very early on, Media Markt in Russia introduced additional applications to the Moscow pilot market in November 2013. In addition to applications to optimise inventory and boost productivity, the possibility of employing this technology to provide customers with a better shopping experience was tested. In the central warehouse, CDs, DVDs and Blu-ray discs are outfitted with RFID transponders. At the store, customers can use specially installed terminals to not only preview the titles, but also see the item's current location within the store. As a result, customers can quickly and easily find the desired item among the department's broad range of products.

xplace GmbH became part of METRO GROUP in 2012. The company, in which METRO GROUP holds a majority stake, is specialised in the development and marketing of multimedia customer-information and customer-retention systems for retailers. These are used, for example, in digital displays and so-called kiosk terminals in stores. xplace supplies the soft- and hardware for these systems and also maintains their digital content. The company has been installing in-store solutions for sales promotion at Media Markt and Saturn stores since 2008. Media-Saturn now employs solutions from xplace GmbH in 14 countries. These solutions include touch-screen entertainment terminals with barcode scanners, printer cartridge terminals and in-store TV. The introduction of in-store TV, in particular, into stores in other European countries is also planned. With its investment in xplace, METRO GROUP has not only secured a role in the company's development and a long-term strategic partnership with it. We also profit from direct access to technical know-how and the future innovations created by xplace GmbH.

The topic of mobile shopping has gained strategic importance for all sales lines. Innovations in this area are driven, for example, by the Cologne-based company MobiLab Solutions, in which METRO GROUP holds a stake. MobiLab Solutions is one of the leading providers of software solutions for mobile shopping and payment via smartphone. Mobile payment is one of the company's core products. It provides customers with several payment options and methods for their mobile purchases. The applications from MobiLab Solutions could thus play a key role in the future expansion of shopping options for smartphones and tablet PCs in our sales lines. In addition to MobiLabs, we supported the creation of a retail-wide initiative for the introduction of a payment system for retailers in Germany.

An additional milestone in the work to strengthen the dovetailing efforts of METRO GROUP is represented by solidifying its participation in the "High-Tech Gründerfond II" in December 2012. Now in its second generation, this fund has been providing capital to technology start-ups since 2005. We believe our partnership with the fund will help us identify relevant market trends at an early stage and give us direct access to innovative companies.

Definition of innovation focal areas

In today's world, being able to choose between various sales channels – stationary and online – for their shopping needs has become a matter of course for customers. From the perspective of METRO GROUP, operational retail activities are especially being shaped by the increasing transfer of information and communication processes to the Internet. This means: retailers' ranges of products can be quickly and easily compared today. This high degree of transparency complicates companies' efforts to maintain such singular value propositions as the largest selection or the lowest price over the long run. The increasing prevalence of devices that facilitate mobile Internet access is accelerating this trend.

As part of our business innovation activities, we are therefore forging ahead with our effort to dovetail stationary business with our online shops and mobile offers in order to bolster our companies' competitive position over the long run. No-line shopping is the name of this goal: we intend to optimally link all sales channels in order to create a shopping experience that is consistent throughout all customer touch points and raises confidence in our sales brands. Additional focal areas are marketing and logistics.

Boosting innovative strength

The topic of business innovation was anchored in our corporate structure in April 2013 as the newly created "Business Innovation" area of responsibility within the Management Board of METRO AG. Within the holding company, specialised teams identify and evaluate trends, and work with the sales lines to test new ideas in stores using appropriate resources and to determine if they are mature enough to be launched in stores. Successful ideas are then introduced on a large scale under the direction of one of our sales lines.

Research and development at METRO GROUP in figures

In the short financial year 2013, METRO GROUP capitalised development costs for intangible assets totalling €67 million (9M 2012: €67 million). In addition, costs of €32 million (9M 2012: €33 million) were generated in research and non-capitalisable development costs. The capitalisation ratio amounted to 68.1 per cent (9M 2012: 66.7 per cent). Amortisation of capitalised development costs totalled €71 million (9M 2012: €78 million).

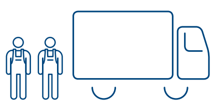
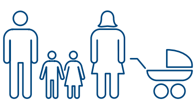
8. Sustainability management

A company can be operated according to responsible business practices only if it addresses the social demands being placed on it and observes the limits laid down by the environment. We deeply believe in this principle of sustainability.

Our commitment to sustainability

We act today for the good of tomorrow – out of a sense of responsibility. This maxim forms the essence of our business activities and the basis of our long-term success. To decide how we can employ our energy and our resources most efficiently, we measure our success not only in terms of business results, but also in terms of economic and social values. Such values are created when we go beyond the requirements laid down by law and make a positive contribution to social and environmental improvements, strengthening the positive impact of our actions in the process. This fundamental understanding of responsible business practices is also reflected in our sustainability vision: METRO GROUP. We offer quality of life.

During the short financial year 2013, we set strategic targets for every aspect we cited in our sustainability vision. In this manner, we are adding specific detail to the vision, facilitating the measurability of our business performance and creating a foundation for our future activities.

We offer quality of life ...		**Because we are acting more sustainably, ...**	
... for our customers, ... 	... by providing them with safe quality products and services where they live around the world and by constantly improving our processes. And with products that are made, processed and recycled in a socially responsible, environmentally sound and resource-conserving manner. This enables us to secure our future.	**... we are working on a responsible range of products and assortment design.**	By 2015, we will have defined processes that will enable us to evaluate the sustainability impact of the own-brand products of METRO GROUP sales lines. By continuously carrying out our general METRO GROUP purchasing policy on sustainability, we will adjust all relevant product categories to reflect aspects of sustainability.
... for our employees, ... 	... by respecting, protecting and helping them to grow professionally at all times, and by building trusting relationships with them. This enables us to create an attractive working environment.	**... we systematically make sustainability a part of our work.**	Integration of sustainability in all (fundamental) business processes by 2016. During campaign, our employees' awareness about sustainable behaviour will be sharpened. Training programmes regarding corporate responsibility will be developed and offered to all employees.
... for all who work for us, ... 	... by doing business fairly and responsibly and by providing good living and working conditions. This enables us to demonstrate responsibility in the supply chain.	**... we support humane working conditions.**	Inclusion of all non-food own-brand suppliers[1] in a BSCI or equivalent social standard system by the end of 2014 if the final product is produced in a risk country (risk country based on BSCI definition).
... for society, ... 	... by protecting the environment, conserving natural resources and minimising our effect on the climate. This enables us to create a sound foundation for retailing of tomorrow.	**... we are working on solutions to global challenges with a steadfast commitment to the issue and a trusting relationship with our stakeholders.**	Our contribution to climate and resource protection: by 2020, METRO GROUP will have cut its greenhouse gas emissions by 20 per cent from the reference year of 2011.

[1] This covers the producers of merchandise (own brands and own imports) who carry out the final significant and value-creating production step

Systematic sustainability management

The central authority for sustainability at METRO GROUP is the company's Sustainability Board. The board's mission is to ensure that the issue of sustainability is systematically considered and addressed. Its focus is directed in particular at the interplay between economic, environmental and social aspects of the issue. This includes using raw materials more efficiently, observing human rights and assuming responsibility for the environment.

SUSTAINABILITY BOARD

Chair: Member of the Management Board of METRO AG Heiko Hutmacher
Members: CEOs of the sales lines and METRO PROPERTIES, representatives from Corporate Communications and the Sustainability Department

takes up guidelines, standards and strategies from the sustainability vision and formulates goals

CONSULTATIVE COMMITTEE

Working group leaders and sustainability representatives of the sales lines, the service companies and METRO AG

WORKING GROUP 1	WORKING GROUP 2	WORKING GROUP 3	WORKING GROUP 4
Supply Chain and Products	Energy and Resource Management	Employees and Social Affairs	Social Policies and Stakeholder Dialogue

develop plans of action, monitor implementation, report and advise

TOPIC-SPECIFIC PROJECT GROUPS

consisting of experts from METRO GROUP

SALES LINES AND SERVICE COMPANIES

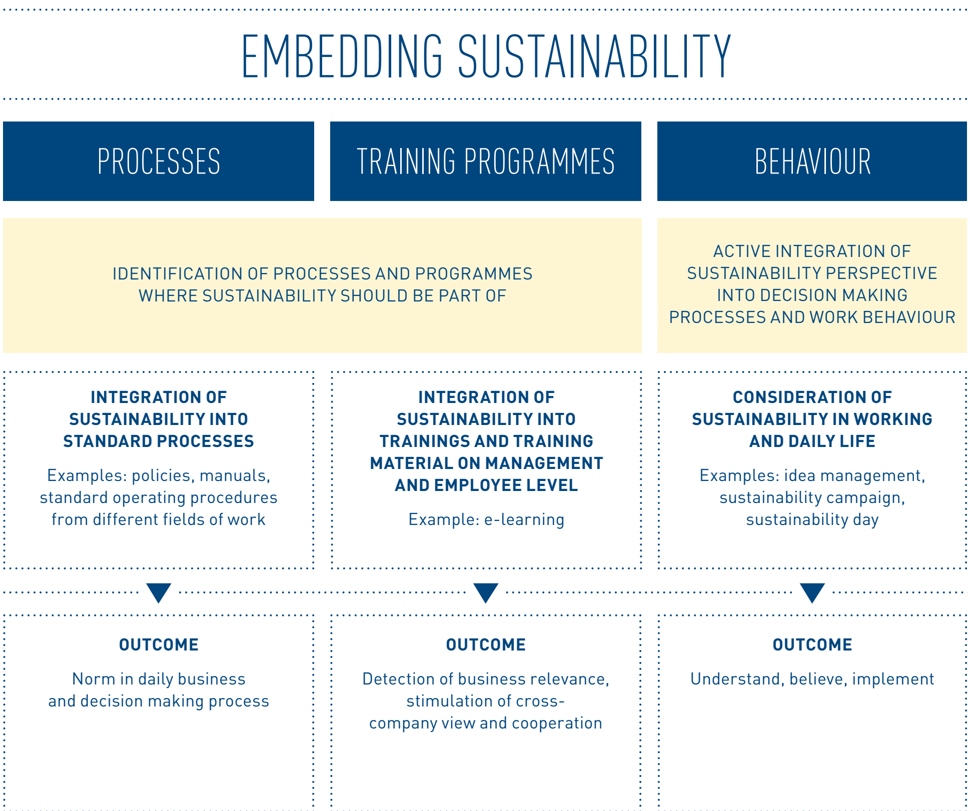
delegate experts to working and project groups,
are responsible for operational implementation,
develop systems for internal sustainability management

The Sustainability Board also takes decisions regarding practical approaches to the issue. The Sustainability Department at METRO AG acts as a subject-matter adviser to and a functional coordinator for the board. The thematic groundwork is carried out by four working groups. In the sales lines and service companies, sustainability officers help to introduce and implement the decisions in the operational business.

Sustainability management is closely tied to opportunity and risk management at METRO GROUP. In this process, the company's managers are supported in their work to assess and manage possible deviations from the sustainability goals, that is, to systematically identify opportunities and risks.

Additional information about risk and opportunity management can be found in chapter 12 Risk and opportunity report.

Strategic implementation of the sustainability vision
In 2012, METRO GROUP announced its sustainability vision. To ensure that we can consistently put our vision into action, the issue of sustainability must be firmly anchored in our company – both in our structures and in our attitudes and actions. We use a number of channels to ensure that this happens. These channels include our Sustainability Board and its committees as well as the necessary processes, programmes and changes in our individual behaviours. As a result of this approach, we ensure that the concept of sustainability spreads beyond its concrete integration into the company's departments until it is included in all relevant business processes and decisions. For this reason, we developed a concept during the reporting period for which we then created an initial set of measures as a way of improving the systematic integration of sustainability into our company. The need for this action was clear: the issue can indeed be encouraged from the top down. But it must be carried out by everyone.



Focal points of sustainability management
METRO GROUP's strategic sustainability management covers the following four focal points:
- Supply chain and products
- Energy and resource management
- Employees and social affairs
- Social policies and stakeholder dialogue

These focal points cover the parts of the value chain and our points of interaction with society where our influence on sustainability-relevant processes is the greatest and measures produce an efficient impact. Within these focal points, we have developed numerous programmes designed to achieve our strategic goals.

One of our primary concerns is to continuously monitor the strategic implementation of our vision and to communicate it in a transparent manner. As part of this effort, we announce sustainability figures regarding these focal points, including the sustainable development key performance indicators (SD-KPIs) that are relevant to the group management report.

Supply chain and products

Our core business involves the sale of goods and services. Responsible business practices mean two things to us: as a group of companies that employs various retailing formats, we strive to create added value for our customers who have differing shopping needs. At the same time, we intend to consider environmental and social issues in the decisions we take regarding our range of products and services. The objective is to identify the opportunities and risks for our business and to take systematic action.

Traceability in the value-added chain
Knowing the source and the individual steps in the value-added chain is critically important to us. The reason for this is clear: this is the only way that we will be able to influence the safety, quality and sustainability of our product range. That is why we support product traceability. We are committed to creating complete transparency regarding resources that have been used and the procurement of products throughout the value-added chain. We take innovative approaches to achieve this goal. In March 2013, we began working with other retailers and highly respected partners in the value-added chain on an international, cross-industry solution, one that already represents a pioneering approach to the issue. We are being assisted in this effort by GS1, a global service provider that sets worldwide standards designed to improve value-added chains. The key element of this solution is to store relevant data in a decentralised way that significantly improves access to this information and arranges it intuitively. As a result, the data storage creates more transparency throughout the entire chain – all the way to the end consumer.

As a first step in this work, we launched a pilot project for the product group fish in the spring of 2013. We consciously selected this product group in particular. Transparent supply chains are the only approach we can take to stop illegal fishing activities and, thus, secure a basis for feeding the world's population in future.

In a second step, we will apply the industry solution to other product groups, including meat, fruit and vegetables. Non-food products will also be integrated into the programme at some point in future.

Theme	Goals	Status goal	Measures	Status measures
CONSERVATION OF RESOURCES/SAFEGUARDING OF FOOD SUPPLIES/SUSTAINABLE SOURCING	METRO GROUP initiates and supports the development of an international, intersectoral and product-spanning technical solution for traceability.		Based on the project steps realised so far, a pilot project is to be implemented in the fish category by mid-2014.	

You will find annotations to the symbols on page 145.

More sustainable products through sustainable procurement

Production and procurement form the first links in our supply chain. Customers demand for goods falls at the end of it. We, like some of our customers, are now looking beyond the issues of quality and safety when we judge products. To these customers and to us, the social and environmental compatibility of products and the manufacturing processes used to make them are becoming a higher priority. To consider this issue in a systematic and comprehensible manner, METRO GROUP devised a cross-product procurement policy for the entire company during the reporting period. This policy spells out the fundamental requirements for sustainable supply-chain and procurement management. It also forms the framework for guidelines that address specific issues related to individual product and raw-material categories. This includes the purchasing policy for fish that took effect in September 2011 and the guidelines for palm oil and packaging that were introduced during the short financial year 2013. By developing and implementing guidelines for sustainable purchasing and by monitoring compliance with social and quality standards, we strengthen our procurement channels and help to improve the quality and sustainability of our products.

Various symbols and labels inform customers about the specific sustainability aspects of products and help them to take decisions. The product ranges in our sales lines include articles from fair trade as well as foods that bear the European organic seal. In the reporting period, our sales lines METRO Cash & Carry and Real generated sales of products certified by the EU organic directive totalling €85 million. Our stores also offer products from sustainable, environmentally conscious fishing and aquaculture. Customers can identify such products when they see the seal of the Marine Stewardship Council (MSC) for wild fish and the logo of the Aquaculture Stewardship Council (ASC) for farmed fish. Our METRO Cash & Carry and Real sales lines now offer a large number of MSC-certified brand and own-brand products. In the short financial year 2013, our sustainable fish assortment contained 64 MSC-certified own-brand products and 514 brand items. These products generated sales of approximately €45 million. In addition, our stores offer 39 ASC-certified items.

Our sales lines also provide customers in many product groups with a broad range of environmentally conscious and socially responsible products. These products include

— efficient electric appliances bearing energy labels from A+ to A+++,
— stationery based on the standards of the Blauer Engel (Blue Angel), a German environmental seal, or of sustainable forestry
— natural cosmetics and
— textiles made from organic cotton or cotton produced in accordance with the "Cotton made in Africa" standard.

As a helpful guide to customers, our Galeria Kaufhof sales line adds the logo "natürlich GALERIA" (naturally GALERIA) to products that meet the requirements of a defined sustainability standard. Nearly 9,400 products in the Kaufhof assortment now fulfil this standard.

Theme	Goals	Status goal	Measures	Status measures
CONSERVATION OF RESOURCES/SAFEGUARDING OF FOOD SUPPLIES/SUSTAINABLE SOURCING	METRO GROUP is working on a responsible range of products and assortments.		By 2015, we will have defined processes that will enable us to evaluate the sustainability impact of the own-brand products of METRO GROUP sales lines. By continuously carrying out our general METRO GROUP purchasing policy on sustainability, we will adjust all relevant product categories to reflect aspects of sustainability.	

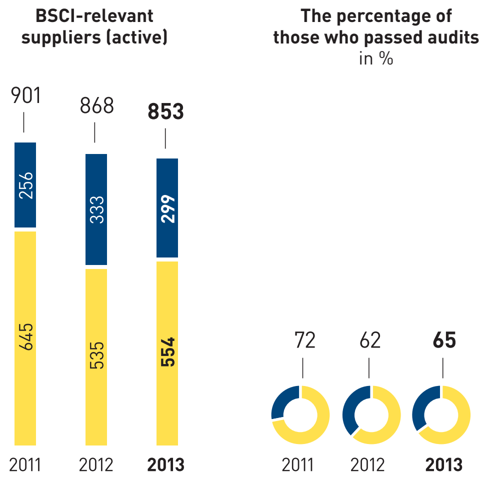
You will find annotations to the symbols on page 145.

Fair, socially just working conditions among suppliers

In addition to environmental compatibility and conservation of resources, one essential aspect of sustainable purchasing is the assurance of humane working conditions. As part of our effort to live up to our corporate social responsibility in this area, a project group on social standards was created in 2011 within the focal point on "supply chain and products". During the reporting period, this project group developed a process showing how all purchasing channels can be designed in a socially compatible manner. By the end of 2014, our goal is to integrate all suppliers and producers of non-food own-brand products who make items for us in so-called risk countries (as defined by the Business Social Compliance Initiative – BSCI) into a social management system. These countries include Bangladesh and Turkey. A key element of this process is a close working relationship of all parties along a transparent supply chain. This will facilitate efforts to meet the challenges posed by the implementation of socially compatible working conditions primarily in developing and emerging countries that serve as traditional production sites. Verification of a production location's observance of fair and socially compatible working conditions is provided by a BSCI audit or similar social-standard review. The BSCI works to ensure that fundamental human rights are protected in the production and supply chain. The success of the concept hinges on the provision of special training to all workers in a production operation as this location works to become a socially compatible work site. As a member company of the BSCI, we are committed to helping our suppliers and production operations to set up such a management process. This process is designed to enable all of our business partners to systematically introduce socially compatible working conditions from now on.

All of our producers of non-food items that are shipped to the EU through our import business MGB Hong Kong are subjected to a BSCI-standard audit or similar review. At the end of 30 September 2013, 853 producers had been audited. Of this group, 65 per cent received a grade of "good". This represents an increase of 3 per cent from the balance sheet date of 31 December 2012 to the balance sheet date of 30 September 2013. Producers who fail to pass the audit have 18 months following the audit date to improve conditions at the site. Should these improvements not be made, the production site will receive no more orders until it can demonstrate that it has sustainably improved its organisational processes.

Social audits of own imports through MGB Hong Kong
as of closing date



Suppliers who passed audits

Status of BSCI audits of active suppliers for own imports by MGB Hong Kong from countries defined as risk areas by the BSCI who provided METRO GROUP with clothing, shoes, toys and hardware for the EU market as of 31 December of the year under review and 30 September in 2013 respectively. Active suppliers are those who generated actual sales as of 31 December of the year under review and 30 September in 2013 respectively. Suppliers who have passed the audit can demonstrate their successful compliance with the BSCI standard by presenting a certificate awarded by an independent third party. Alternatively, suppliers may produce a certificate issued by an independent third party attesting to successful compliance with an equivalent social standard system.

When necessary, METRO GROUP works to not only ensure socially compatible working conditions, but also provide for building safety in the textile factories of production countries. In one reflection of this effort, we signed the Accord on Fire and Building Safety in Bangladesh in June 2013. This agreement was worked out by a multi-stakeholder initiative that comprised company representatives, unions and non-governmental organisations. Together with more than 100 European retail and brand-name companies, METRO GROUP has pledged to actively and organisationally support the accord in its work to achieve increased building safety in Bangladesh.

Theme	Goals	Status goal	Measures	Status measures
INTERNATIONAL LABOUR STANDARDS/SOCIAL STANDARDS	METRO GROUP intensifies its commitment to fair working conditions among its suppliers.		Inclusion of all non-food own-brand suppliers[1] in a BSCI or equivalent social standard system by the end of 2014 if the final product is produced in a risk country (based on BSCI definition).	

[1] This covers the producers of merchandise (own brands and own imports) who carry out the final significant and value-creating production step

You will find annotations to the symbols on page 145.

Strategic partnership to harmonise standards

For many years, METRO GROUP has been lending its support to sustainability standards and certificates for fish, including the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC). In doing so, it has done its part to maintain fish stocks. However, small producers frequently cannot afford the certifications. Furthermore, the large number of certificates that now exist complicate purchasing decisions rather than simplifying them.

As part of the Global Sustainable Seafood Initiative (GSSI), METRO GROUP has joined with partners from industry, the political community and non-governmental organisations to urge the creation of an overview of all sustainable-fishing certificates available around the world and to objectively assess them. GSSI, an effort launched in February 2013, will make it easier for consumers to choose sustainable fish products and lower the certification costs particularly for small producers. METRO GROUP provides administrative support to the project and represents the industry and the retail sector in partnerships with government authorities.

Energy and resource management

To successfully operate our core business and to meet our customers' needs, we need energy and natural resources now and for the future. However, the supplies of both are finite.

As a retail and wholesale company, we assume responsibility for climate and resource protection within areas of the value-added chain that we can directly influence: from the storage, refrigeration and transport of products to the operation of our stores and administrative offices. We pursue two central goals in this effort: First, we intend to reduce climate-relevant emissions produced in connection with our business operations. By 2020, we intend to lower the level of greenhouse gas emissions per square metre of selling space by 20 per cent compared with the baseline year of 2011. Second, we intend to lower our consumption of resources. By taking this approach, we will do more than promote climate and environmental protection. We will also reduce our operating costs.

Energy consumption reduced

Lighting as well as heating and cooling systems are responsible for the largest share of energy usage. To cut our consumption levels further, we pressed ahead with our energy-conservation programmes during the reporting period and invested a total of more than €30 million in technical improvements at all four sales lines.

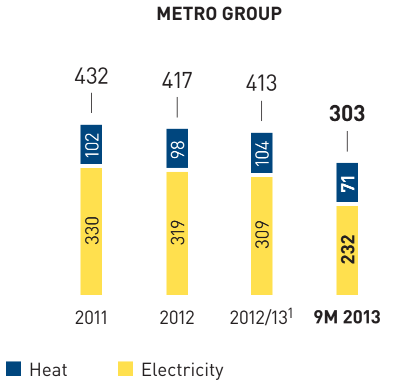
Media-Saturn added LED strip lighting to five new Media Markt stores and one existing store. As a result of this change, energy consumption can be cut by about 40 per cent from the level produced by the previously used lighting systems (T5). The savings potential is even higher for older lighting solutions (T8). Media-Saturn will add LED strip lighting to other stores as well in order to determine the right point for the economically sensible use of LED lighting.

Real Germany lowered its use of electricity per square metre of selling space by 3 per cent in the short financial year compared with the previous year's figure. To achieve this reduction, our sales line took a number of steps that included further optimising store lighting, adding covers to freezers and the doors of equipment used to store cold cuts and dairy products, upgrading ovens and converting the energy sources of these units from electricity to natural gas, and creating an energy management system. Since 2007, Real has been able to lower its energy consumption per square metre of selling space by 7 per cent, adjusted for divested stores, even though the demands placed on product displays, lighting and the sales line's entire concept have grown.

In 2013, the management team and works council of Galeria Kaufhof paved the way for improving efficiency in the implementation of measures to lower energy consumption in future. Both groups have agreed on rules that cover the introduction of systems that can measure and manage atmospheric parameters such as temperature, air quality and air circulation. The objective is to optimise heating and air-conditioning systems and the way they are operated as a way of further cutting energy consumption in stores.

To become less dependent on energy-price trends and to further reduce our environmental impact, we are concentrating on projects that will facilitate decentralised energy supplies. One efficient and environmentally conscious alternative for many applications is to produce electricity, heat and cooling directly where they are needed. In this regard, we forged a strategic partnership on energy production with Eon in 2013. The German energy provider is setting up gas-powered combined heat and power units at METRO Cash & Carry locations. These units will provide each store with power and heat. In Germany, the first combined heat and power units have gone into operation in wholesale stores in Düsseldorf and Berlin. At each store, the unit generates more than 25 per cent of the electricity needed by the wholesale store and all of its heat. This will lower our energy costs by about 5 per cent at each store and our specific greenhouse gas emissions by about 300 tons of CO_2 per year at each site. The company intends to install other combined heat and power units. Two are already in the planning phase.

Electricity and heat usage
in kWh per m^2 of selling space



[1] Oct. 2012 – Sep. 2013

Behaviour-modifying programmes launched

In addition to investments in technology, we are undertaking efforts to change the habits of each individual employee. By adopting environmentally conscious behaviour, our employees can make a major contribution to our drive to save energy. For this reason, METRO Cash & Carry started the Energy Awareness Programme (EAP) during the short financial year 2013. It is designed to encourage employees to use energy more efficiently. In this effort, we are focusing on lighting, commercial refrigeration, air conditioning and water. This programme includes the use of refrigeration curtains to separate temperature zones. Lights are used only when needed. At other times, the lighting is reduced to the level of so-called third switching. In addition, every location has been assigned a specific reduction goal. From January to September 2013, the EAP led the electricity consumption of all METRO Cash & Carry stores around the world to decrease by 9.5 per cent compared with the period of January to September 2011. The overarching goal of METRO Cash & Carry is to cut electricity usage per square metre of selling space by 18 per cent and heat consumption by 8 per cent by 2015 compared with the reference year of 2011. Using today's electricity rates as a benchmark, this would represent annual cost savings of €36 million produced solely by a change in behaviour.

During the short financial year, energy consumption for electricity and heat at METRO GROUP totalled 303 kWh per square metre of selling space (1/1/12 – 30/9/12: 307 kWh/m^2; 1/10/12 – 30/9/13: 413 kWh/m^2; 1/1/12 – 31/12/12: 417 kWh/m^2).

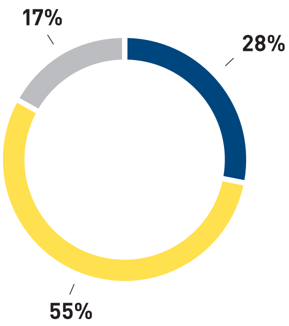
Climate protection target and carbon footprint

From January to September 2013, METRO GROUP generated 222 kilograms of CO_2 equivalent per square metre of selling space (1/1/12 – 30/9/12: 226 kilograms of CO_2/m^2; 1/10/12 – 30/9/13: 295 kilograms of CO_2/m^2; 1/1/12 – 31/12/12: 300 kilograms of CO_2/m^2) in relation to the emission sources of the climate protection goal. As a result, our group-wide emissions fell by about four kilograms of CO_2 per square metre of selling space compared with the previous year's period. This amounts to 1.8 per cent. This reduction was primarily achieved by energy-saving programmes.

In 2012, the Sustainability Board of METRO GROUP set a target: by 2020, we will reduce our specific greenhouse gas emissions by 20 per cent compared with the 2011 level. This means that we will lower emissions per square metre of selling space by 309 kilograms of CO_2 equivalents per year to 247 kilograms of CO_2 equivalents. The change in the level reported in 2012 resulted from the adjustment of the carbon footprint and the target- and base-year levels that was made necessary by the divestment of Real in Eastern Europe. Our climate protection goal covers the emissions that are material to us as a retail company and, above all, can be directly influenced. These are emissions created by

- the use of electricity and thermal energy as well as their upstream chain emissions and network losses,
- coolant losses for commercial refrigeration and air conditioning,
- the use of paper,
- the fuel consumption of company cars, emergency power generators including the upstream chain and
- business travel.

Emission sources included in the climate protection target
9M 2013



- **Scope 1** = heating oil, natural gas, liquefied petroleum gas (LPG), refrigerant losses from commercial cooling, refrigerant losses from air conditioning, fuel consumption of company cars and emergency power generators
- **Scope 2** = electricity consumption, long-distance heating and cooling
- **Scope 3** = paper consumption for advertising materials and copying paper, business trips, upstream chain emissions and grid losses for all direct and indirect energy sources

These emissions make up about 40 per cent of emissions that we include in our carbon footprint. In addition to the emissions we can directly affect, our carbon footprint contains those emissions that we cannot manage or can control only in part. In terms of transparency, we are well above the industry average regarding our contribution to the greenhouse effect.

Our climate reporting is based on the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard and its Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The emissions of the sales lines and cross-divisional service companies are considered. In this review, we examine 19 different resources of emissions.

With the help of the group-wide Carbon Intelligence System that we introduced in 2011, we track energy consumption and other critical environmental impacts at virtually all outlets and department stores, administrative offices and warehouses. The quality of collected data is high. More than 95 per cent of emissions for Scope 1 and Scope 2 draw from the collected data. Less than 5 per cent are based on projections. We report the total impact of all relevant greenhouse gas emissions as CO_2 equivalents.

Since 2011, the auditing firm KPMG AG has audited our carbon footprint and certified its correctness. Since 2006, we have also been reporting about our climate protection strategy and our emissions in the Carbon Disclosure Project (CDP). The mission of the organisation with the same name is to create transparency in companies' reporting about climate-relevant data.

Theme	Goals	Status goal	Measures	Status measures
CLIMATE PROTECTION/ RESOURCE MANAGEMENT	METRO GROUP will reduce its greenhouse gas emissions by 20 per cent from 309 kg/m² in 2011 to 247 kg/m² in 2020.		Continuation of "low-hanging fruit programme" as an energy saving Programme; additional Energy Awareness Programme (EAP) starting in 2013.	

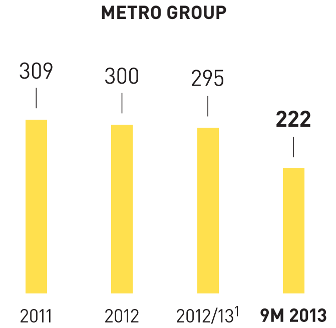
You will find annotations to the symbols on page 145.

Reduction of climate-harming refrigerants initiated

We also see room for improvement in the area of emissions created by the loss of refrigerants (commercial and air-conditioning coolants). Here, emissions generated from January to September 2013 in the short financial year rose by 4.4 kilograms of CO_2 per square metre of selling space compared with the previous year's period (1/1/12 – 30/9/13: 44.8 kilograms of CO_2/m^2; 1/1/12 – 30/9/12: 40.4 kilograms of CO_2/m^2; 1/10/12 – 30/9/12: 55.8 kilograms of CO_2/m^2; 1/1/12 – 31/12/12: 51.3 kilograms of CO_2/m^2).

Losses of refrigerants due to leaks in cooling systems are not just a significant source of emitted greenhouse gases. They are also a significant cost factor. For this reason, we have set a goal to cut the refill rate of refrigerants. Since 2012, in addition to remote monitoring for the refrigeration systems, we have been carrying out at least four leak inspections per year on the refrigeration systems used by Real and Galeria Kaufhof in Germany. From January to September 2013, the refill rate for commercial refrigeration systems was 12.3 per cent (1/1/12 – 30/9/12: 11.0 per cent; 1/10/12 – 30/9/13 15.4 per cent; 1/1/12 – 31/12/12: 14.2 per cent).

Status climate protection target
Greenhouse gas emissions in kg CO_2 (CO_2 equivalent) per m² of selling space

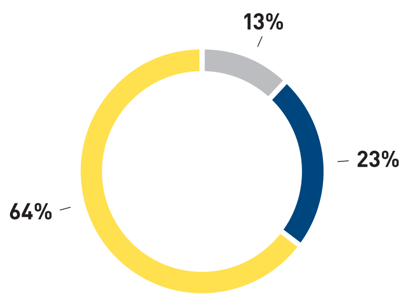


[1] Oct. 2012 – Sep. 2013

As part of its membership in the Consumer Goods Forum, we have made a commitment to only use natural cooling agents such as carbon dioxide in new cooling equipment starting in 2015. This voluntary commitment was widened by the Sustainability Board during the reporting period. In addition, new cooling units that are due to be retrofitted will be converted to natural coolants when this is technically feasible. In the short financial year 2013, a total of 14 commercial refrigeration systems were converted to natural coolants at METRO Cash & Carry, Real and Galeria Kaufhof.

The use of natural cooling agents is a key component of our strategy to comply with new regulatory requirements regarding the use of cooling agents. In the next few months, we expect the EU to issue an amended directive on fluorinated greenhouse gases. This directive is currently undergoing revision. Its goal will be to lower the global warming potential (GWP) of refrigerants used in the EU over the medium term. This goal is to be achieved by taking a number of steps, including a ban on introducing hermetically sealed refrigerating and freezer units that contain a coolant with a global warming potential of more than 150 to the European market. Another step will be the gradual reduction in the amounts of climate-damaging refrigerants. From 2020 onwards, existing refrigerating units that use a coolant with a global warming potential of more than 2,500 may not be refilled under the plan.

For carbon footprint measured emission sources
9M 2013



Total emissions 1/1–30/9/2013 = 6.4 million t CO_2
(1/10/2012–30/9/2013 = 8.9 million t CO_2
1/1–31/12/2012 = 9.2 million t CO_2)

Scope 1 = heating oil, natural gas, liquefied petroleum gas (LPG), refrigerant losses from commercial cooling and air conditioning, fuel consumption of company cars and own logistics fleet as well as emergency power generators

Scope 2 = electricity consumption, district heating/cooling

Scope 3 = all external logistics, paper consumption, business travel, purchased goods and services (not for sale), capital assets, upstream chain emissions and grid losses for all direct and indirect energy sources, waste, staff commutes, leased assets

You will find in-depth information and other key performance indicators regarding our carbon footprint on our website under the section Sustainability and CSR.

Employees and social affairs

The driving force behind METRO GROUP's business success and its contribution to society are our 269,493 employees. For this reason, sustainable company management at METRO GROUP also involves consideration of ways to further improve the working conditions of our staff and our daily activities. Consequently, the dedication of our workforce is a focal point of our sustainability management. With far-sighted human resources concepts, we intend to promote employees' satisfaction, motivation and value orientation. We thereby ensure that the company has the employees it needs, particularly specialists and managers, to conduct business over the long term. In addition, we provide a large number of employment and professional-development opportunities as well as an attractive working environment characterised by diversity and respect. By taking such steps, we increase our appeal as an employer and invest in the future of our company.

The human resources policies of METRO GROUP and key performance indicators are contained in chapter 6 Employees.

Our goal is not just to encourage the professional growth of our employees. We also intend to raise their awareness level about sustainability and strengthen their commitment to the issue. After all, by acting as role models and assuming their own responsibility on the basis of our shared values, our employees

— create customer value by giving customers the feeling of being welcome, understood and respected,
— develop trust that serves as the basis for a long-term business relationship as they work with our partners,
— seize opportunities and create workable solutions by optimising our processes and by continuously improving the environmental and social impact of our products and services.

To ensure that every individual can explore, internalise and carry out the concept of sustainable, self-directed action, METRO GROUP has committed itself to integrating this approach into processes, training programmes and behaviour. With this goal in mind, we developed a number of activities and programmes during the short financial year 2013 that are designed to change behaviour. This work included the development of an interactive training programme about METRO GROUP's fundamental approach to sustainability and the execution of an information campaign that uses practical examples to show how energy can be saved. These efforts will be rounded out in 2014 with a sustainability day.

Theme	Goals	Status goal	Measures	Status measures
EMBEDDING OF SUSTAINABILITY INTO THE COMPANY	METRO GROUP is systematically making sustainability a component of its business operations.		Integration of sustainability in all (fundamental) business processes by 2016. First step: identification of fundamental processes and their connection to the issue.	
			By 2016, we will sharpen employees' understanding of sustainable behaviour. First step: we are preparing an overarching concept designed to carry out a group-wide sustainability campaign including a sustainability day.	
			Integration of sustainability into training programmes. By 2016, we will develop training measures regarding corporate responsibility and offer them to all employees. First step: development of a general training format.	

You will find annotations to the symbols on page 145.

Social policies and stakeholder dialogue

Trust towards the various players forms the foundation of a company's acceptance by society. A key part of the work that goes into fostering this trust is interaction with our stakeholders: in addition to the close relationships maintained by our employees, suppliers and customers, there are many other people who come in contact with our company. Various expectations concerning our business actions arise from this interaction. In the interplay of company and social values, we view sustainable business management as a way to help to meet the challenges facing society within the context of our own business activities. We bundle our expertise here in the previously described list of focal points: supply chain and products; energy and resource management; and employees and social affairs. Within these focal points, we can continuously improve the environmental and social impact of our processes, products and services in those places where we do business. In the interplay with the other focal points, intra-company communication, an economic and sociopolitical dialogue and the collaboration of our stakeholders helps us to identify needs at an early stage and to address relevant issues.

Conferences, roadshows and visits to our headquarters in Düsseldorf that are accented by meetings with members of the Management Board and tours serve as reasonable and good opportunities to introduce a wide range of capital-market players to METRO GROUP. We use direct dialogue to address the specific concerns of our shareholders, potential investors and analysts. To encourage the sociopolitical exchange of view, we provide our stakeholders with a forum in our new publication "METRO GROUP TRADE LETTER". We also work closely with them in selecting the topics that are covered by our events, including MITTWOCHSGESELLSCHAFTEN (Wednesday Societies of Retail) in Berlin and Brussels.

Our work in various committees pays off because we have the business and industry expertise that is frequently indispensable in the dialogue conducted among trade associations, non-governmental organisations, political leaders and the general public to find suitable solutions to social, technical and economic challenges. Examples of this collaboration include the strategic partnership to harmonise standards as part of the Global Sustainable Seafood Initiative (GSSI) and the cross-industry partnership on traceability with GS1 and other partners along the value-added chain (see the section on "the supply chain and products"). In 2013, METRO GROUP also concluded an agreement with the European Federation of Food Banks (FEBA) in an effort to support the meals-on-wheels and food-bank movement on the European level.

In addition to this social contribution made by our core business, we intend to fulfil our obligations as a good corporate citizen. Our investments in the community are one reflection of our charitable efforts. In this work, we support projects at our business locations and help to reduce the impact of disasters.

Theme	Goals	Status goal	Measures	Status measures
STAKEHOLDER DIALOGUE	METRO GROUP conducts dialogues with experts and stakeholders on the subjects of its focal points.		METRO GROUP representatives will meet with selected experts at least once a year to discuss issues related to global challenges that have been identified as relevant for the company's business.	
	By expanding development and collaboration partnerships, we succeed in meeting challenges and produce commercial and social gains.		In 2014, projects related to our focal points will be developed and potential strategic partners for their support identified. As part of the ongoing dialogue, the following meetings were held in 2013: – German Ministry for Economic Cooperation and Development: meeting and discussion about collaboration opportunities on the issue of safeguarding food supplies. – German Society for International Cooperation: discussion about a potential energy-related partnership in South-East Asia. – IDH Sustainable Trade Initiative: discussion about setting up a partnership on ASC products (Aquaculture Stewardship Council) from Vietnam and India. – BCS, IFC and Global GAP: meeting and discussion regarding the creation of a multilateral partnership on supplier qualification on the basis of Global GAP in Ukraine. – Food and Agriculture Organization of the United Nations: collaboration as part of the Global Sustainable Seafood Initiative (GSSI); discussion and partnership development on issues such as responsible purchasing and safeguarding of food supplies.	

You will find annotations to the symbols on this page below.

Assessment of relevant sustainability indexes and rankings

Index/ranking	Rating/points	Scale
Dow Jones Sustainability Index (DJSI)	**60**	0–100
Oekom Corporate Rating	**C+**	A+–D–
CDP DACH 350	**97 A– (Disclosure/Performance) Climate Disclosure Leadership Index (CPLI) DACH: Sector Leader Consumer Discretionary (ex Auto) Index Leader MDAX**	0–100/A–E
Carbon Disclosure Project – forests programme	**Participation**	–
Carbon Disclosure Project – water programme	**Participation**	–

You will find in-depth information and other key performance indicators regarding the topic of sustainability in the METRO GROUP Sustainability Report 2012 as well as on our website in the Sustainability section.

Degree of goal achievement

Measure not yet started · Measure started · Measure ongoing · Measure concluded · New goal implemented · In progress · Goal reached · Goal not reached

9. Remuneration report

The following report describes the remuneration received by the Management Board and the Supervisory Board of METRO AG for the short financial year 2013 (1 January to 30 September 2013) compared with the financial year 2012 (1 January to 31 December 2012) paid in accordance to standards laid down by the German Commercial Code (HGB) and the German Corporate Governance Code. It outlines the system of Management Board compensation and contains information about share-based compensation for executives of METRO GROUP.

The remuneration system for the Management Board is approved by the Supervisory Board of METRO AG. The Supervisory Board is advised in this matter by its Personnel Committee. The current remuneration system was approved by the Annual General Meeting on 6 May 2011.

The remuneration system for members of the Management Board

Management Board remuneration consists of a fixed salary and two variable components: performance-based compensation (short-term incentive) and a long-term incentive. The company also offers pension provisions and supplemental benefits.

Total remuneration and the individual compensation components are geared appropriately to the responsibilities of each individual member of the Board, his or her personal performance and the company's economic situation, and fulfil legal stipulations regarding customary remuneration. The incentives serve as an inducement for the Management Board to increase the company's value and are designed to generate sustainable, long-term company growth. In the short financial year 2013, the individual components of Management Board remuneration were as follows:

Fixed salary
The fixed salary is contractually set and is paid in monthly instalments.

Performance-based compensation (short-term incentive)
The Annual General Meeting of 23 May 2012 changed the financial year of METRO AG to run from 1 October to 30 September. For this reason, a short nine-month financial year (1 January 2013 to 30 September 2013) was created in 2013. The performance-based remuneration system, however, was designed on the basis of a twelve-month financial year that represents a full annual cycle in the retail business, including the Christmas season. In light of this, the Management Board already decided in 2012 to offer a transitional arrangement to executives and employees of METRO AG. In this arrangement, the calculation of performance-based remuneration during the short financial year will be based on a full annual cycle (1 January 2013 to 31 December 2013). The payments calculated on this basis will be proportionally reduced to the short nine-month financial year. The Supervisory Board followed the recommendation of its Personnel Committee and also concluded a transitional agreement with the members of the Management Board. The Supervisory Board believes this arrangement has ensured an appropriate transfer of the current bonus system to the new financial year. In addition, it provides for a consistent remuneration approach for members of the Management Board and METRO AG employees.

The short-term incentive for members of the Management Board is determined mainly by the development of return on capital employed (RoCE) and net earnings. The use of the key ratio net earnings combined with RoCE rewards profitable growth of METRO GROUP. EBIT is divided by capital employed to determine RoCE. Net earnings principally amount to profit for the period. The Supervisory Board may resolve an adjustment for special items. To ensure the individual performance orientation of Management Board remuneration, the Supervisory Board of METRO AG now also reserves the general right to reduce or increase the weight of the individual short-term incentive by up to 30 per cent, respectively, at its discretion.

Members of the Management Board receive between €500 and €833 per 0.01 percentage point of RoCE above 7 per cent. For each additional €1 million in net earnings, they receive an additional €304 to €506 (all figures on a twelve-month basis). The amounts are set by the Supervisory Board of METRO AG based on the company's strategy and medium-term targets, are regularly reviewed and are adjusted if necessary. The payout of the performance-based compensation granted for RoCE and net earnings is capped each year. The following individual values were determined as the basis for Management Board remuneration in the short financial year 2013:

€ p. a.	Amount per 0.01 percentage point of RoCE above 7 per cent[1]	Amount per €1 million in net earnings[1]	Payout cap for the short financial year 2013[2]
Olaf Koch	833	506	2,925,000
Mark Frese	500	304	1,560,000
Pieter Haas[3]	500	304	1,560,000
Heiko Hutmacher	500	304	1,560,000
Frans W. H. Muller[4]	625	380	1,950,000

[1] Twelve-month figures
[2] Nine-month figures
[3] Member of the Management Board since 1 April 2013
[4] Member of the Management Board until 31 March 2013

The performance-based compensation of members of the Management Board is generally paid out four months after the end of a financial year. For the short financial year 2013, payments are made in April 2014 as performance-based compensation is calculated on the basis of a full twelve-month cycle which is then shortened pro rata to arrive at the nine-month period of the short financial year. Mr Muller, who left the Management Board on 31 March 2013, received performance-based compensation in April 2013 for the period of 1 January 2013 to 31 March 2013. The payout was determined on the basis of estimates.

Share-based compensation (long-term incentive)
The long-term incentive is a compensation component with long-term incentive effect. It is designed to achieve sustainable growth in the company's value and applies a multi-year assessment basis.

Performance share plan 2009–2013
By resolution of the Personnel Committee of the Supervisory Board and with the approval of the Supervisory Board, METRO AG introduced a five-year performance share plan in 2009. A target value in euros is set for each member of the Management Board. The target number of performance shares is calculated by dividing this target value by the share price upon allotment, based on the average price of the METRO share during the three months up to the allotment date. A performance share entitles its holder to a cash payment in euro matching the price of the METRO share on the payment date, based on the average price of the METRO share during the three months up to the payment date.

Based on the relative performance of the METRO share compared to the median of the DAX 30 and Dow Jones Euro STOXX Retail indices – total return – the final number of payable performance shares is determined after the end of a performance period of at least three and at most 4.25 years. It corresponds to the target number of shares when an equal performance with said stock market indices is achieved. Up to an outperformance of 60 per cent, the number increases on a straight-line basis to a maximum of 200 per cent of the target amount. Up to an underperformance of 30 per cent, the number is accordingly reduced to a minimum of 50 per cent. In the case of an underperformance of more than 30 per cent, the number is reduced to zero.

Payment can be made at six possible times that are set in advance. The earliest payment date is three years after allotment of the performance shares. From this time, payment can be made every three months. The members of the Management Board can choose the date upon which they want to exercise performance shares. A distribution over several payment dates is not permitted. The payment cap in euros amounts to five times the target value.

METRO GROUP introduced so-called share ownership guidelines along with its performance share plan: as a precondition for the payout of performance shares, the members of the Management Board are obliged to undertake a significant continuous self-financed investment in METRO shares up to the end of the three-year blocking period. This ensures that, as shareholders, they will directly participate in share price gains as well as potential losses of the METRO share. Their investment in company shares promotes the long-term structure and orientation towards sustainable development of the remuneration system and results in a healthy balance of the various remuneration elements. The self-financed investment applies to the entire term of the performance share plan.

Pension provisions
In 2009, company pension provisions were introduced for members of the Management Board. These provisions consist of direct benefits with a defined contribution component and a performance-based component.

The defined contribution component is financed by the Management Board and the company based on an apportionment of "7 + 7 + 7". When a member of the Management Board makes a contribution of 7 per cent of his or her defined basis for assessment, the company will contribute the same amount. Depending on the economic situation, the company will pay the same amount again. In view of the macroeconomic environment, the additional amount was again suspended in the reporting year. The performance-based component is congruently reinsured by Hamburger Pensionsrückdeckungskasse VVaG

(HPR). The interest rate for the contributions is paid in accordance with the profit-sharing system of the HPR with a guarantee applying to the paid-in contribution. When a member of the Management Board leaves the company before retirement age, the contributions retain the level they have reached.

An entitlement to pension benefits exists
— if the working relationship ends with or after the reaching of standard retirement age as it applies to the German state pension scheme,
— as early retirement benefits, if the working relationship ends at the age of 60 or afterwards and before the standard retirement age,
— as disability benefits, if the working relationship ends before the standard retirement age is reached and preconditions have been fulfilled,
— as surviving dependants' benefits, if the working relationship is ended by the person's death.

Payment can be made in the form of capital, instalments or a life-long pension. A minimum benefit is granted in the case of invalidity or death. In such instances, the total amount of contributions that would have been credited to the member of the Management Board for every calendar year up to a credit period of ten years, but limited to the point when the individual turns 60, will be added to the benefits balance. This performance-based component is not reinsured, but will be provided directly by the company when the benefit case occurs.

Further benefits in case of an end to employment
The active members of the Management Board receive no additional benefits beyond the described pension provisions should their employment end. In particular, no retirement payments will be granted. In the event of the death of a member of the Management Board during active service, his or her surviving dependants will be paid the fixed salary for the month in which the death occurred as well as for an additional six months.

Supplemental benefits
The supplemental benefits granted to members of the Management Board include non-cash benefits and expense allowances (for example, company cars).

Other
The members of the Management Board of METRO AG are not entitled to additional remuneration or special benefits as a result of a change of control.

Remuneration of the Management Board in the short financial year 2013 (1 January to 30 September 2013)[1]

€ 1,000 €	Financial year 2012 Short financial year 2013	Fixed salary	Supplemental benefits	Short-term incentive[2]	Long-term incentive: Value of granted tranches[3]	Long-term incentive: (Payout from tranches granted in the past)	Total[4]	(Effective salary[5])
Olaf Koch	2012	1,200	63	75	1,522	(0)	2,860	(1,338)
	2013	**900**	**52**	**0**	**1,573**	**(0)**	**2,525**	**(952)**
Mark Frese	2012	720	142	38	913	(0)	1,813	(900)
	2013	**540**	**17**	**0**	**944**	**(0)**	**1,501**	**(557)**
Pieter Haas[6]	2012	0	0	0	0	(0)	0	(0)
	2013	**360**	**7**	**0**	**944**	**(0)**	**1,311**	**(367)**
Heiko Hutmacher	2012	720	186	31	913	(0)	1,850	(937)
	2013	**540**	**86**	**0**	**944**	**(0)**	**1,570**	**(626)**
Frans W. H. Muller[7]	2012	900	124	39	1,142	(0)	2,205	(1,063)
	2013	**225**	**55**	**188**	**1,180**	**(0)**	**1,648**	**(468)**
Total[8]	2012	3,540	515	183	4,490	(0)	8,728	(4,238)
	2013	**2,565**	**217**	**188**	**5,585**	**(0)**	**8,555**	**(2,970)**

[1] Statements pursuant to § 285 Sentence 1 No. 9a and § 314 Section 1 No. 6a of the German Commercial Code (HGB) (excluding pension provisions)
[2] No data for the short financial year 2013 as the short-term incentive was calculated on the basis of the 2013 calendar year and, according to German Accounting Standard 17 (GAS 17), may only be shown upon full entitlement
[3] Shown here is the fair value at the time of granting the tranche
[4] Total of columns fixed salary, supplemental benefits, short-term incentive and value of granted tranches
[5] Total of columns fixed salary, supplemental benefits, short-term incentive and payouts from tranches granted in the past
[6] Member of the Management Board since 1 April 2013
[7] Member of the Management Board until 31 March 2013; short-term incentive based on an estimate in accordance with the contract termination agreement
[8] Reported figures for 2012 relate to active members of the Management Board in the short financial year 2013

Long-term incentives in the short financial year 2013

The target value for the 2013 tranche is €1.6 million for Mr Koch and €0.96 million each for Mr Frese, Mr Haas and Mr Hutmacher. Under conditions laid out by the performance share plan, Mr Koch received 70,053 performance shares and Mr Frese, Mr Haas and Mr Hutmacher each received 42,032 performance shares. At the time of granting, a share unit was valued at €22.84. The performance shares that were distributed do not represent a fixed number of rights in the sense of §§ 285 Sentence 1 No. 9 a Sentence 4 of the German Commercial Code (HGB) or of § 314 Section 1 No. 6 a Sentence 4 of the German Commercial Code (HGB). Rather, they were a target amount. Under the conditions of the performance share plan, entitlements cannot be described with a particular fixed number at the time of granting. The value of the performance shares distributed in the short financial year 2013 was calculated by external experts using recognised financial-mathematical methods (Monte Carlo simulation). The specified self-financed investment amounted to €0.5 million for Mr Koch and €0.32 million each for Mr Frese, Mr Haas and Mr Hutmacher.

In addition to the tranche from the performance share plan distributed in the short financial year 2013, the active members of the Management Board possess rights from the following tranches: Messrs Koch and Muller possess rights from the tranches from 2010, 2011 and 2012; Mr Muller also possesses rights from the tranche from 2009. In addition to his rights from the 2012 tranche, Mr Frese possesses rights from the tranches from 2009, 2010 and 2011 as a result of his previous service within METRO GROUP prior to his appointment to the Management Board. Mr Hutmacher possesses rights from the tranche from 2012.

Additional information on the trance from 2013 is provided in the section "Services after the end of employment in the short financial year 2013".

Performance share plan (tranches 2009–2013)

Tranche	End of the blocking period	Three-month average price before allotment	Number of Management Board performance shares as of 30/9/2013
2009	August 2012	€36.67	18,407
2010	August 2013	€42.91	27,382
2011	August 2014	€41.73	44,932
2012	April 2015	€29.18	161,754
2013	April 2016	€22.84	248,688

The blocking period for the 2009 and 2010 tranches ended in August 2012 and August 2013 respectively. No payouts from this tranches were made to members of the Management Board in the short financial year 2013.

In the short financial year 2013, value changes resulted from the current tranches of share-based remuneration programmes. The company's expenses amounted to €0.644 million for Mr Koch, €0.391 million for Mr Frese, €0.221 million for Mr Haas, €0.398 million for Mr Hutmacher and €0.523 million for Mr Muller.

Services after the end of employment in the short financial year 2013 (including pension provisions)
In the short financial year 2013, a total of €4.6 million (12M 2012: €5.1 million) was used for remuneration of the active members of the Management Board of METRO AG for benefits to be provided after the end of their employment. Of this total, approximately €0.127 million was allotted to Mr Koch for pension provisions. Mr Frese was allotted approximately €0.098 million, Mr Haas approximately €0.063 million, Mr Hutmacher approximately €0.101 million and Mr Muller approximately €0.032 million.

According to the German Commercial Code, approximately €0.123 million was allotted to Mr Koch for pension provisions. Mr Frese was allotted approximately €0.090 million, Mr Haas approximately €0.084 million, Mr Hutmacher approximately €0.092 million and Mr Muller approximately €0.032 million.

During the short financial year 2013, an agreement was concluded to prematurely terminate the employment contract of Mr Muller, who left the Management Board by mutual agreement as of the close of business on 31 March 2013. A severance package agreement valued at €3.85 million was concluded with Mr Muller for the remainder of his employment contract (1 April 2013 to 31 July 2014). It covers entitlements of Mr Muller and makes allowance for the development of performance- and share-based payment drawing from conservative estimates. In addition, Mr Muller received supplemental benefits totalling €0.29 million for services, expenses in connection with the conclusion of the termination agreement and company pensions. In addition, Mr Muller was granted the tranche from 2013 of the performance share plan with a target value of €1.2 million and a resulting allotment of 52,539 performance shares; the required self-funded investment amounts to €0.4 million. Depending on the company's commercial success, the variable components for the short-term incentive from 1 January 2013 to 31 July 2014 included in the severance payment and the long-term-incentive tranches from 2009 to 2013 may lead to additional compensation: Mr Muller may claim the potential difference between these compensation components, which he would have received as a member of the Management Board, and the severance payment.

Total compensation of former members of the Management Board in the short financial year 2013
Former members of the Management Boards of METRO AG and the companies that were merged into METRO AG as well as their surviving dependants received €7.0 million (12M 2012: €8.3 million). The described benefits for Mr Muller after the end of employment in the short financial year 2013 are included in this figure.

The cash value of provisions for current pensions and pension entitlements amounts to €54.1 million (31/12/2012: €55.1 million).

The corresponding cash value of provisions for current pensions and pension entitlements according to the German Commercial Code amounts to €46.6 million (31/12/2012: €46.7 million).

Outlook: share-based compensation (long-term incentive)

In the short financial year 2013, the fifth and final tranche of the performance share plan was issued. A new long-term incentive plan has been developed for subsequent years. It is geared towards a sustained development of the company.

Share-based compensation of executives

Pursuant to the recommendation in Subsection 7.1.3 of the German Corporate Governance Code, the share-based compensation of executives of METRO GROUP will also be reported in the following section.

Performance share plan 2009–2013
The performance share plan 2009–2013 applies not only to the members of the Management Board, but also to high-level executives of METRO AG as well as to high-level managing directors and executives of METRO GROUP companies. Under this scheme, eligible managers are given an individual target amount as part of the performance share plan (target value) in

accordance with the significance of their responsibilities. The additional rules of this plan correspond to provisions for the Management Board.

With the performance share plan, the share ownership guidelines were also applied to this group of eligible individuals. The required investment volume generally amounts to about 50 per cent of the individual target value.

The value of the performance shares allotted in the short financial year 2013 amounted to €17.3 million (12M 2012: €26.8 million) at the time of the allotment and was calculated by external experts using recognised financial-mathematical methods (Monte Carlo simulation). The following conditions apply:

Performance share plan (tranches 2009–2013)

Tranche	End of the blocking period	Three-month average price before allotment	Number of Management Board performance shares as of 30/9/2013
2009	August 2012	€36.67	593,300
2010	August 2013	€42.91	283,930
2011	August 2014	€41.73	367,163
2012	April 2015	€29.18	578,031
2013	April 2016	€22.84	768,591

The blocking period for the 2009 and 2010 tranches ended in August 2012 and August 2013 respectively. No payouts from this tranches were made in the short financial year 2013.

Compensation of members of the Supervisory Board

Remuneration of members of the Supervisory Board is regulated by § 13 of the Articles of Association of METRO AG. In addition to reimbursement of cash expenses, the members of the Supervisory Board receive a fixed payment and a performance-based payment in accordance with the compensation standard for the short financial year 2013. Fixed compensation amounts to €35,000 for every ordinary member of the Board. The performance-based remuneration component is based on earnings before taxes (EBT) and non-controlling interests in the METRO AG financial statements. Each member of the Supervisory Board receives €600 per €25 million in EBT exceeding an average EBT of €100 million for the short financial year 2013 and the two preceding years. For the short financial year 2013, performance-based remuneration totalled €17,376 for each ordinary member. The value added tax payable to the fixed and performance-based compensation is reimbursed to the members of the Supervisory Board in accordance with § 13 Section 5 of METRO AG's Articles of Association.

Remuneration factors	
Chairman of the Supervisory Board	●●●
Vice Chairman	●●
Committee chairmen[1]	●●
Committee members[1]	●◖
Members of the Supervisory Board	●

[1] With a minimum of two meetings/resolutions

The individual amount of fixed and performance-based Supervisory Board remuneration takes into account the duties and responsibilities of the individual members of the Supervisory Board by considering special assignments. The compensation of the Chairman of the Supervisory Board is three times higher than that of an ordinary member of the Supervisory Board; that of the Vice Chairman and the Chairmen of the committees is twice as high; and that of the other members of the committees 1.5 times higher. The remuneration for membership or chairmanship of a committee will be paid only if at least two meetings or other resolutions took place during the respective financial year. A member of the Supervisory Board who holds several offices at once receives compensation for only 1 office; in the case of different levels of remuneration for the most highly paid office.

The relevant individual amounts for the short financial year 2013 are as follows:

Remuneration of members of the Supervisory Board for the short financial year 2013 pursuant to § 13 of the Articles of Association[1]

€	Financial year	Multiplier	Fixed salary	Performance-based remuneration[2]	Total
Franz M. Haniel, Chairman	2012	●●●	105,000	86,712	191,712
	2013	●●●	**105,000**	**52,128**	**157,128**
Werner Klockhaus, Vice Chairman	2012	●●	70,000	57,808	127,808
	2013	●●	**70,000**	**34,752**	**104,752**
Prof. Dr oec. Dr iur. Ann-Kristin Achleitner	2012	●	35,000	28,904	63,904
	2013	●	**35,000**	**17,376**	**52,376**
Dr Wulf H. Bernotat	2012	●◖	52,500	43,356	95,856
	2013	●◖	**52,500**	**26,064**	**78,564**
Ulrich Dalibor	2012	●	35,000	28,904	63,904
	2013	●	**35,000**	**17,376**	**52,376**
Jürgen Fitschen	2012	● / ●◖	46,667	38,539	85,206
	2013	●◖	**52,500**	**26,064**	**78,564**
Hubert Frieling	2012	●	35,000	28,904	63,904
	2013	●	**35,000**	**17,376**	**52,376**
Dr Florian Funck	2012	●	23,333	19,269	42,602
	2013	●	**35,000**	**17,376**	**52,376**
Prof. Dr Dr h. c. mult. Erich Greipl (deceased 2/7/2013)	2012	●◖	52,500	43,356	95,856
	2013	●◖	**30,625**	**15,204**	**45,829**
Andreas Herwarth	2012	●	35,000	28,904	63,904
	2013	●	**35,000**	**17,376**	**52,376**
Uwe Hoepfel	2012	●	35,000	28,904	63,904
	2013	● / ●◖	**44,722**	**22,203**	**66,925**
Peter Küpfer	2012	●	35,000	28,904	63,904
	2013	●	**35,000**	**17,376**	**52,376**
Rainer Kuschewski	2012	●	35,000	28,904	63,904
	2013	● / ●◖	**44,722**	**22,203**	**66,925**
Prof. Dr Klaus Mangold (until 8/5/2013)	2012	●	35,000	28,904	63,904
	2013	●	**14,583**	**7,240**	**21,823**
Susanne Meister (since 8/5/2013)	2012	–	–	–	–
	2013	●	**14,583**	**7,240**	**21,823**
Baroness Lucy Neville-Rolfe DBE CMG (since 8/5/2013)	2012	–	–	–	–
	2013	●	**14,583**	**7,240**	**21,823**
Mattheus P. M. (Theo) de Raad	2012	●	35,000	28,904	63,904
	2013	●	**35,000**	**17,376**	**52,376**
Dr Fredy Raas (since 31/7/2013)	2012	–	–	–	–
	2013	● / ●◖	**8,750**	**5,068**	**13,818**
Gabriele Schendel	2012	●	35,000	28,904	63,904
	2013	●	**35,000**	**17,376**	**52,376**
Xaver Schiller	2012	●◖	52,500	43,356	95,856
	2013	●◖	**52,500**	**26,064**	**78,564**
Dr jur. Hans-Jürgen Schinzler	2012	●●	70,000	57,808	127,808
	2013	●●	**70,000**	**34,752**	**104,752**
Peter Stieger (until 8/5/2013)	2012	●◖	52,500	43,356	95,856
	2013	●◖	**21,875**	**10,860**	**32,735**
Angelika Will	2012	●	35,000	28,904	63,904
	2013	●	**35,000**	**17,376**	**52,376**
Total[3]	2012		910,000	751,504	1,661,504
	2013		**911,943**	**453,466**	**1,365,409**

[1] Plus applicable value added tax in accordance with § 13 Section 5 of the Articles of Association
[2] The 2013 performance-based compensation is due after the conclusion of the Annual General Meeting of METRO AG on 12 February 2014
[3] Reported figures for 2012 relate to active members of the Supervisory Board in the short financial year 2013

No remuneration applied to the memberships of the Supervisory Board's Mediation Committee in the short financial year 2013.

In the short financial year 2013, individual members of the Supervisory Board of METRO AG also received compensation from the group companies for Supervisory Board mandates at group companies.

Other intragroup compensation of members of the Supervisory Board for the short financial year 2013[1]

€	Financial year	
Ulrich Dalibor	2012	9,000
	2013	**6,750**
Prof. Dr Dr h. c. mult. Erich Greipl	2012	49,800
(deceased 2/7/2013)	**2013**	**29,050**
Uwe Hoepfel	2012	49,800
	2013	**49,800**
Werner Klockhaus	2012	4,090
	2013	**6,695**
Rainer Kuschewski	2012	6,136
	2013	**18,979**
Gabriele Schendel	2012	49,800
	2013	**49,800**
Susanne Meister	2012	--
	2013	**3,000**
Xaver Schiller	2012	6,500
	2013	**9,000**
Peter Stieger	2012	9,203
	2013	**3,068**
Angelika Will	2012	6,000
	2013	**2,000**
Total	2012	190,329
	2013	**178,142**

[1] Plus value added tax

The declared amounts do not include the remuneration entitlements of one member of the Supervisory Board from intragroup Supervisory Board mandates of which the member of the Supervisory Board waived the payment.

Beyond this, the members of the Supervisory Board were not granted any remuneration or benefits for work performed, in particular consulting and brokerage services, on behalf of companies of METRO GROUP in the sense of Subsection 5.4.6 of the German Corporate Governance Code.

Outlook: conversion of Supervisory Board remuneration to a purely fixed sum

Following a proposal by the Management Board and Supervisory Board of METRO AG, the Annual General Meeting 2013 decided to switch to exclusively fixed compensation for members of the Supervisory Board. No variable compensation will be paid starting in the financial year 2013/14 (1 October 2013 to 30 September 2014). In future, regular members of the Supervisory Board will receive fixed annual compensation of €65,000.

10. Notes pursuant to § 315 Section 4 and § 289 Section 4 of the German Commercial Code and explanatory report of the Management Board

Composition of capital (§ 315 Section 4 No. 1 and § 289 Section 4 No. 1 of the German Commercial Code)

On 30 September 2013, the share capital of METRO AG totalled €835,419,052.27. It is divided into a total of 324,109,563 ordinary bearer shares (proportional value of the share capital: €828,572,941, 99.18 per cent) as well as 2,677,966 preference bearer shares (proportional value of the share capital: €6,846,111, 0.82 per cent). The proportional value per share amounts to about €2.56.

Each ordinary share grants one voting right. In addition, ordinary shares entitle the holder to dividends. In contrast to ordinary shares, preference shares principally do not carry voting rights and give a preferential entitlement to profits in line with § 21 of the Articles of Association of METRO AG, which state:

"(1) Holders of non-voting preference shares will receive from the annual balance sheet profit a preference dividend of €0.17 per preference share.

(2) Should the balance sheet profit available for distribution not suffice in any one financial year to pay the preference dividend, the arrears (excluding any interest) shall be paid from the balance sheet profit of future financial years in an order based on age, i.e. in such manner that any older arrears are paid off prior to any more recent ones and that the preference dividends payable from the profit of a financial year are not distributed until all of any accumulated arrears have been paid.

(3) After the preference dividend has been distributed, the holders of ordinary shares will receive a dividend of €0.17 per ordinary share. Thereafter, a non-cumulative extra dividend of €0.06 per share will be paid to the holders of non-voting preference shares. The extra dividend shall amount to 10 per cent of such dividend as, in accordance with Section 4 herein below, will be paid to the holders of ordinary shares insofar as such dividend equals or exceeds €1.02 per ordinary share.

(4) The holders of non-voting preference shares and of ordinary shares will equally share in any additional profit distribution in the proportion of their shares in the share capital."

Other rights associated with ordinary and preference shares include in particular the right to attend the Annual General Meeting (§ 118 Section 1 of the German Stock Corporation Act), the right to information (§ 131 of the German Stock Corporation Act) and the right to file a legal challenge or a complaint for nullity (§§ 245 Nos. 1–3, 246, 249 of the German Stock Corporation Act). In addition to the previously mentioned right to receive dividends, shareholders principally have a subscription right when the share capital is increased (§ 186 Section 1 of the German Stock Corporation Act), claims to liquidation proceeds after the closure of the company (§ 271 of the German Stock Corporation Act) and to compensation and settlements as a result of certain structural measures, particularly pursuant to §§ 304 ff., 320 b, 327 b of the German Stock Corporation Act.

Limitations relevant to voting rights (§ 315 Section 4 No. 2 and § 289 Section 4 No. 2 of the German Commercial Code)

To the knowledge of the Management Board, the following agreements exist, which can be regarded as restrictions in the sense of § 315 Section 4 No. 2 and § 289 Section 4 No. 2 of the German Commercial Code:

An agreement exists among BVG Beteiligungs- und Vermögensverwaltung GmbH, Franz Haniel & Cie. GmbH, Haniel Finance B. V., Haniel Finance Deutschland GmbH, METRO Vermögensverwaltung GmbH & Co. KG, METRO Vermögensverwaltung GmbH, 1. HSB Beteiligungsverwaltung GmbH & Co. KG and 1. HSB Verwaltung GmbH to coordinate the exercise of voting rights associated with shares of METRO AG. In addition, an agreement exists among BVG Beteiligungs- und Vermögensverwaltung GmbH, Franz Haniel & Cie. GmbH, Haniel Finance Deutschland GmbH and Haniel Finance B. V. to coordinate the joint exercise of interests from the METRO AG shares economically attributable to the shareholder groups Haniel and Schmidt-Ruthenbeck. Finally, a pooling agreement exists among Otto Beisheim Betriebs GmbH, Otto Beisheim Holding

GmbH and OB Beteiligungsgesellschaft mbH, which includes the METRO AG shares held by Otto Beisheim Holding GmbH and OB Beteiligungsgesellschaft mbH.

In addition, legal restrictions on voting rights may exist, for example in the sense of § 136 of the German Stock Corporation Act or, insofar as the company holds own shares, in the sense of § 71 b of the German Stock Corporation Act.

Capital interests (§ 315 Section 4 No. 3 and § 289 Section 4 No. 3 of the German Commercial Code)

The following direct and indirect (pursuant to § 22 of the German Securities Trading Act) capital interests exceed 10 per cent of the voting rights:

Name/company	Direct/indirect stakes exceeding 10 per cent of voting rights
METRO Vermögensverwaltung GmbH & Co. KG, Düsseldorf/Germany	Direct and indirect
METRO Vermögensverwaltung GmbH, Düsseldorf/Germany	Indirect
1. HSB Beteiligungsverwaltung GmbH & Co. KG, Schönefeld-Waltersdorf/Germany	Direct and indirect
1. HSB Verwaltung GmbH, Schönefeld-Waltersdorf/Germany	Indirect
Haniel Finance B. V., Venlo/Netherlands	Indirect
Haniel Finance Deutschland GmbH, Duisburg/Germany	Direct and indirect
Franz Haniel & Cie. GmbH, Duisburg/Germany	Indirect
BVG Beteiligungs- und Vermögensverwaltung GmbH, Essen, Germany	Indirect
Gebr. Schmidt GmbH & Co. KG, Essen/Germany	Indirect
Gebr. Schmidt Verwaltungsgesellschaft mbH, Essen, Germany	Indirect
Dr Michael Schmidt-Ruthenbeck, Zurich/Switzerland	Indirect

The above information is based, in particular, on notifications under § 21 of the German Securities Trading Act that METRO AG has received and released.

Notifications of voting rights published by METRO AG can be found on the website www.metrogroup.de in the Investor Relations section.

Owners of shares with special rights and type of voting rights control where capital interests are held by employees (§ 315 Section 4 Nos. 4 and 5 and § 289 Section 4 Nos. 4 and 5 of the German Commercial Code)

The company has not issued any shares with special rights pursuant to § 315 Section 4 No. 4 and § 289 Section 4 No. 4 of the German Commercial Code. No capital interests are held by employees pursuant to § 315 Section 4 No. 5 and § 289 Section 4 No. 5 of the German Commercial Code.

Regulations governing the appointment and removal of members of the Management Board and changes to the Articles of Association (§ 315 Section 4 No. 6 and § 289 Section 4 No. 6 of the German Commercial Code)

In instances where members of the Management Board of METRO AG are appointed and removed, legal regulations laid down in §§ 84, 85 of the German Stock Corporation Act and §§ 30, 31, 33 of the German Co-determination Act apply. A supplementary regulation is contained in § 5 of METRO AG's Articles of Association. It states that the Management Board shall have not less than two members and that, apart from this, the actual number of members of the Management Board will be determined by the Supervisory Board.

Changes to the Articles of Association of METRO AG are determined principally in accordance with §§ 179, 181, 133 of the German Stock Corporation Act. Numerous other sections of the German Stock Corporation Act would apply to a change to the Articles of Association, and modify or supersede the previously mentioned regulations, for example §§ 182 ff. of the German Stock Corporation Act during capital increases, §§ 222 ff. of the German Stock Corporation Act during capital reductions or § 262 of the German Stock Corporation Act during the dissolution of the AG. Pursuant to § 14 of METRO AG's Articles of Association, changes that would affect only the text of the Articles of Association may be decided by the Supervisory Board without a vote by the Annual General Meeting.

Authorities of the Management Board (§ 315 Section 4 No. 7 and § 289 Section 4 No. 7 of the German Commercial Code)

Authorities to issue new shares
The Annual General Meeting on 23 May 2012 authorised the Management Board to increase the share capital, with the consent of the Supervisory Board, by issuing new ordinary bearer shares in exchange for cash or non-cash contributions in one or several tranches for a total maximum of €325,000,000 by 22 May 2017 (authorised capital I).

In the process, a subscription right is to be granted to existing shareholders. The new shares may also be acquired by banks chosen by the Management Board if the banks agree to tender them to the shareholders. However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholder subscription rights in the following cases:

- to compensate for fractions of shares from rounding;
- insofar as shares are issued in exchange for non-cash contributions for the purpose of corporate mergers or for the acquisition of companies, divisions of companies or interests in companies;
- in the event of a capital increase in exchange for cash capital contributions to the extent necessary to grant subscription rights to new shares to the holders of warrant or convertible bonds issued by METRO AG and affiliates thereof in which METRO AG holds at least 90 per cent of shares, directly or indirectly, in the scope to which they would be entitled upon exercise of the warrant or conversion rights or fulfilment of the warrant or conversion obligations;
- in the event of capital increases in exchange for cash capital contributions if the aggregate par value of such capital increases does not exceed 10 per cent of the company's share capital and the issue price of the new shares is not substantially lower than the stock exchange price of existing shares of the same class. The limit of 10 per cent of the company's share capital is diminished by the share of the share capital represented by the company's own shares which are (i) used as own shares or sold during the term of authorised capital while excluding subscription rights in analogous application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act or (ii) issued from contingent capital to service warrant and convertible bonds which, in turn, have been or are issued while excluding subscription rights in analogous application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act. Once a new authorisation for the exclusion of shareholder subscription rights issued by the Annual General Meeting pursuant to § 186 Section 3 Sentence 4 of the German Stock Corporation Act has become effective, the limit diminished in accordance with the above sentence is raised again to the extent of the new authorisation, but to a maximum of 10 per cent of the share capital.

The Management Board is authorised, with the consent of the Supervisory Board, to define further details of the capital increases. To date, the authorised capital I has not been utilised. No concrete plans exist as to the utilisation of this authorisation.

Authorisation to issue warrant and/or convertible bonds
The Annual General Meeting on 5 May 2010 authorised the Management Board, with the consent of the Supervisory Board, to issue warrant or convertible bonds made out to the bearer (in aggregate, "bonds") with an aggregate par value of €1,500,000,000 prior to 4 May 2015, at once or in several stages, and to grant the holders of warrant or convertible bonds warrant or conversion rights or impose warrant or conversion obligations upon them for ordinary bearer shares in the company representing up to €127,825,000 of the share capital in accordance with the terms of the warrant or convertible bonds. This authorisation results in a contingent capital of up to €127,825,000.

The bonds may also be issued by affiliates of METRO AG in terms of § 18 of the German Stock Corporation Act in which METRO AG holds at least 90 per cent of shares, directly or indirectly. In that case, the Management Board is authorised, with the consent of the Supervisory Board, to assume a guarantee for those bonds on behalf of the company and grant their holders warrant or conversion rights to ordinary bearer shares in METRO AG or impose warrant or conversion obligations upon them.

Shareholders will be granted statutory subscription rights in that the bonds will be acquired by a bank or syndicate of banks contingent upon agreement to offer the bonds to the shareholders. If bonds are issued by an affiliate of METRO AG in terms of § 18 of the German Stock Corporation Act in which METRO AG holds at least 90 per cent of shares, directly or indirectly, the company must ensure that statutory subscription rights are granted to the shareholders of METRO AG in accordance with the above sentence.

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholder subscription rights for residual amounts arising from proportional subscriptions to the extent necessary to grant or impose warrant or conversion rights or obligations with respect to the holders of existing warrant or conversion rights or obligations in the amount to which they would be entitled to as shareholders after exercise of the warrant or conversion right or fulfilment of the warrant or conversion obligation.

The Management Board is also authorised, with the consent of the Supervisory Board, to entirely exclude shareholder subscription rights to bonds issued in exchange for cash payment carrying warrant or conversion rights or obligations insofar as the Management Board concludes, after careful review, that the issue price of the bonds is not substantially lower than the hypothetical market value ascertained using recognised mathematical methods. This authorisation to exclude subscription rights applies for bonds which are issued with warrant or conversion rights or obligations to ordinary shares comprising no more than 10 per cent of the share capital both at the time the authorisation takes effect or – if this value is lower – at the time the authorisation is exercised. The following count towards the aforementioned 10 per cent limit: (i) new ordinary shares issued from authorised capital excluding subscription rights according to § 186 Section 3 Sentence 4 of the German Stock Corporation Act during the term of the authorisation prior to the issuance of bonds with warrant or conversion rights or obligations without subscription rights according to § 186 Section 3 Sentence 4 of the German Stock Corporation Act, (ii) ordinary shares acquired based on the authorisation of the Annual General Meeting according to § 71 Section 1 No. 8 of the German Stock Corporation Act and sold according to §§ 71 Section 1 No. 8 Sentence 5, 186 Section 3 Sentence 4 of the German Stock Corporation Act during the term of such authorisation, prior to the issuance of bonds with warrant or conversion rights or obligations excluding subscription rights according to § 186 Section 3 Sentence 4 of the German Stock Corporation Act.

If bonds carrying warrant or conversion rights or obligations are issued, the warrant or conversion price is determined based on the rules in § 4 Section 8 of METRO AG's Articles of Association.

In the case of bonds carrying warrant or conversion rights or obligations, the warrant or conversion price may be adjusted after closer determination in order to preserve the value of such rights or obligations in the event their economic value is diluted, unless such an adjustment is also provided for by law. The terms of the bonds may also provide for an adjustment of warrant or conversion rights or obligations in case of a capital reduction or other extraordinary measures or events (for example, unusually high dividends, acquisition of control by third parties). In case of the acquisition of control by third parties, the terms of the bonds may provide for adjustment of the warrant or conversion price in accordance with typical market terms. Furthermore, the terms of the bonds may provide for a variable conversion ratio and/or variable warrant and conversion price whereby the warrant or conversion price is determined within a range to be set based on the development of the share price during the term. The minimum issue price based on the stipulations of § 4 Section 8 of METRO AG's Articles of Association may not be undercut.

The terms of the bonds may grant METRO AG the right, in lieu of providing ordinary shares upon the exercise of warrant or conversion rights, to make a cash payment corresponding to the volume-weighted average price of METRO AG ordinary shares on the Xetra trading system (or a functionally comparable successor system replacing the Xetra system) of the Frankfurt Stock Exchange during a period of several days before or after the exercise of warrant or conversion rights is announced for the number of ordinary shares which would otherwise be delivered. This period is to be determined by the Management Board. The terms of the bonds may also state that the warrant or convertible bonds may, at METRO AG's option, be converted into existing ordinary shares in METRO AG or shares in another exchange-listed company, in lieu of conversion into new ordinary shares from contingent capital, and that warrant rights or obligations can be fulfilled through the delivery of such shares.

The terms of the bonds may also call for a warrant or conversion obligation at the end of the term (or at any other time), or authorise METRO AG to grant bond holders ordinary shares in METRO AG or shares in another exchange-listed company upon maturity of bonds carrying warrant or conversion rights (including bonds which mature due to termination), in whole or in part, in lieu of a maturity payment in cash. The percentage of share capital represented by the ordinary shares in METRO AG issued upon the exercise of warrant or conversion rights may not exceed the par value of the bonds. §§ 9 Section 1, 199 Section 2 of the German Stock Corporation Act apply.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the further details pertaining to the issuance and terms of the bonds, particularly the coupon, issue price, term, division into shares, rules for the protection against dilution and the warrant or conversion period, or to define such details in consultation with the corporate officers of the affiliate of METRO AG which issues the warrant or convertible bonds.

To date, the authorisation to issue warrant and/or convertible bonds has not been used and no concrete plans exist as to the utilisation of this authorisation.

Authorisation to buy back the company's own shares

The company is authorised to buy back its own shares in accordance with § 71 of the German Stock Corporation Act. On the basis of § 71 Section 1 No. 8 of the German Stock Corporation Act, the Annual General Meeting decided on 5 May 2010 to authorise the company to acquire shares of the company of any share class on or before 4 May 2015. The authorisation is limited to the acquisition of shares collectively representing a maximum of 10 per cent of the share capital issued as of the date the Annual General Meeting resolution is passed. The authorisation to acquire own shares may be exercised in whole or in part, in the latter case also several times. It may also be exercised for the acquisition of either ordinary shares or preference shares only.

Shares may be acquired on the stock exchange or by way of a public tender offer. In the process, the authorisation includes prescriptions regarding the purchase price and procedures to be followed in case a public tender offer is oversubscribed.

In addition to selling acquired company shares on the stock exchange or by offer to all shareholders, the Management Board is authorised, with the consent of the Supervisory Board, to use company shares acquired in accordance with the above authorisation or on the basis of an earlier authorisation for any of the following purposes:

— Listing of shares of the company on any foreign stock exchanges where it was not hitherto admitted for trading, whereby the authorisation includes prescriptions regarding the initial listing price.
— Transfer of shares in the company to third parties in connection with corporate mergers or in connection with the acquisition of other companies, divisions of other companies or interests in other companies.
— Redemption of shares of the company, without the need for any further resolution by the Annual General Meeting authorising such redemption and implementation of such. Such redemption may also be accomplished without a reduction in capital by adjusting the proportional value of the remaining no-par-value shares to the share capital of the company. In this case, the Management Board is authorised to adjust the number of no-par-value shares in the Articles of Association.
— Sale of shares of the company by means other than via the stock exchange or via an offer to all shareholders, provided that the sale is for cash payment and at a price not substantially lower than the stock exchange price in effect for listed shares of the company with the same terms on the date of the sale. The foregoing authorisation is limited to the sale of shares collectively representing no more than 10 per cent of the share capital. The limit of 10 per cent of the share capital is reduced by the pro rata amount of share capital represented by any shares issued (i) during the effective period of this authorisation in the course of any capital increase under exclusion of subscription rights according to § 186 Section 3 Sentence 4 of the German Stock Corporation Act, or (ii) to service warrant or convertible bonds providing for warrant or conversion rights or obligations, insofar as such bonds were issued during the effective period of this authorisation under exclusion of subscription rights by analogous application of 186 Section 3 Sentence 4 of the German Stock Corporation Act.
— Delivery of shares to holders of warrant or convertible bonds of the company or its affiliates, according to the terms and conditions applicable to such warrant or convertible bonds; this also applies to the delivery of shares based upon the exercise of subscription rights, which in the event of a sale of company shares through an offer to all shareholders may be granted to holders of warrant or convertible bonds of the company or any of its affiliates, to the same extent that holders of such warrant or convertible bonds would have subscription rights for shares of the company after exercising the warrant or conversion rights or performing the warrant or conversion obligations. The shares transferred based upon this authorisation shall collectively not exceed a pro rata amount of 10 per cent of the share capital. Shares issued or sold by direct or analogous application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act during the effective period of this authorisation up to the date of use shall count towards the aforementioned limit.

The above authorisations to use the company's own shares may be exercised on one or several occasions, in whole or in part, individually or collectively. Company shares acquired based on the above authorisation as collateral for liabilities under the performance share plan 2009 may be sold exclusively via the stock exchange.

The subscription rights of shareholders are excluded if company shares are used for any of the purposes authorised above except for the authorisation for the redemption of shares.

To date, the authorisation to buy back the company's own shares has not been used and no concrete plans currently exist as to the use of this authorisation.

Fundamental agreements related to the conditions of a takeover (§ 315 Section 4 No. 8 and § 289 Section 4 No. 8 of the German Commercial Code)

As a borrower, METRO AG is currently a party to two syndicated loan agreements that the lender may cancel in the case of a takeover insofar as the credit rating of METRO AG also and as a result of the takeover drops in a way stipulated in the contract. The requirements of a takeover are, first, that the shareholders who controlled METRO AG at the time when each contract was signed lose control. The second requirement is the takeover of control of METRO AG by one or several parties. The lending banks may cancel the contract and demand the return of the loan only if the takeover and a resulting drop in the credit rating occur cumulatively. The regulations as described here are common market practice and serve the purpose of creditor protection. In the short financial year 2013, these loans were not utilised.

Compensation agreements in case of a takeover (§ 315 Section 4 No. 9 and § 289 Section 4 No. 9 of the German Commercial Code)

No compensation agreements with the members of the Management Board or employees have been concluded with a view to takeover offers.

11. Characteristics of the accounting-related internal control and risk management system and explanatory report of the Management Board

METRO GROUP's accounting-related internal control and risk management system employs coordinated instruments and measures for the prevention, early detection, assessment and management of risks. The Corporate Accounting department of METRO AG is responsible for the group-wide implementation of these instruments and measures.

Overarching responsibility for all processes related to the preparation of the consolidated and individual financial statements as well as the combined management report of METRO AG rests with the Board department of the Chief Financial Officer of METRO AG, Mr Mark Frese. The actual preparation of the financial statements as well as the combined management report in the legal sense, however, is the responsibility of the Management Board of METRO AG. Following the preparation of the financial statements, the consolidated and individual financial statements as well as the combined management report are audited and approved by the auditor. They are then discussed and reviewed by the Supervisory Board of METRO AG. The auditor attends this Supervisory Board meeting, reports the key findings of his audit and answers additional questions. Barring any objections on the part of the Supervisory Board, the annual financial statements and the combined management report are approved by the Supervisory Board. The annual financial statements of METRO AG are released once this approval is given.

Group-wide framework

Building on the concept "Internal Control – Integrated Framework" concept of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Corporate Accounting department of METRO AG has stipulated group-wide minimum requirements regarding the design of the accounting-related internal control system of METRO AG, the sales lines and the major service companies. With these requirements, the company wants to ensure adherence to the relevant accounting regulations and the respective internal guidelines (for example IFRS accounting guideline), in particular.

Among others, these requirements cover the design and implementation of controls, monitoring the effectiveness of controls and reporting about effectiveness analyses.

- Design of controls: Taking a top-down approach, the company has identified the risk of material errors with regard to financial reporting for eleven financial and accounting processes. In addition, the Corporate Accounting department has stipulated binding group-wide control objectives which the key group companies must meet through company-specific control activities.
- Implementation of controls: The group companies must keep records of the implementation of these controls. These provide the basis for an independent review of the effectiveness of controls by the Group Internal Auditing department and the group's auditor.
- Effectiveness of controls: The major group companies are obliged to evaluate the effectiveness of controls in the final quarter of each financial year (self-evaluation). In the process, they must apply the uniform, group-wide method stipulated by the Corporate Accounting department. In addition, the effectiveness of controls is reviewed as part of the risk-orientated, independent audits conducted by the Group Internal Audit department.
- Reporting: The results of the self-evaluations must be reported to the Corporate Accounting department using a standardised reporting format. The group companies must confirm that their self-evaluations were conducted using the stipulated method. Aside from the control activities, the group companies must also report on the other four components of the COSO framework: control environment, risk assessment, information and communication as well as monitoring. Companies' individual reports are validated by the Corporate Accounting department and compiled in an overall report on METRO GROUP's accounting-related internal control system. This is reported to the Governance, Risk and Compliance Committee (GRCC) as well as the Management Board of METRO AG.

The key requirements (for example the IFRS accounting guideline), accounting processes, individual controls and independent review by the Group Internal Audit department and the auditor are described in detail below.

IFRS accounting guideline

The interim consolidated financial statements and the consolidated financial statements of METRO AG are prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Commission. A group-wide IFRS accounting guideline that is compulsory for all companies included in the consolidated financial statements ensures the uniform group-wide application of accounting procedures in accordance with IFRS. The guideline explains IFRS regulations to group companies and makes stipulations regarding accounting measurements. To monitor compliance with the IFRS accounting guideline, the management of each group company is obliged to confirm compliance by means of a letter of representation. The IFRS accounting guideline covers all IFRS relevant to METRO AG and does not relate only to certain accounting events. The Corporate Accounting department of METRO AG is responsible for ensuring compliance with this guideline. Amendments to IFRS are continually included in the IFRS accounting guideline and communicated to all companies included in the consolidated financial statements.

Accounting processes of companies included in the consolidated financial statements

The preparation of the individual financial statements of consolidated companies according to IFRS for consolidation purposes is principally carried out in SAP-based accounting systems (SAP FI). The organisational separation of central and subledger accounting, for example, asset accounting, provides for clear assignments among individual tasks related to the preparation of the financial statements. It also provides for a functional separation that ensures control processes such as the two-signature principle. These systems are used to prepare the individual financial statements of a large share of group companies based on a centrally managed table of accounts using uniform accounting rules.

The consolidation of financial data in the context of group reporting is carried out by means of a centralised, SAP-based consolidation system (SAP EC-CS). All consolidated METRO GROUP companies are linked into this system without exception. This system provides for a uniform accounts table used by all consolidated companies in accordance with the IFRS accounting guideline. The accounts tables for the individual IFRS financial statements and the consolidated financial statements are interlinked.

Aside from failure to comply with accounting rules, risks can also arise from failure to observe formal deadlines. An online planning tool was introduced to help avoid these risks and document the obligatory processes required in the context of the preparation of individual and consolidated financial statements under IFRS, their sequence and the responsible persons. It is used to monitor content and timing of the processes related to the preparation of the individual and consolidated financial statements under IFRS. This provides for the necessary tracking and tracing systems to ensure that risks of overarching group units can be detected and eliminated early on.

The planning tool divides the process of preparing the individual financial statements into key milestones, which in turn are divided into individual activities. In terms of content, these milestones and activities are geared towards METRO GROUP's IFRS accounting guideline and thus reflect its implementation. Compliance with additional deadlines and milestones that are provided centrally by the planning tool for the purpose of structuring and coordinating the preparation of the consolidated financial statements is monitored by METRO AG's Corporate Accounting department. The scheduling and monitoring of the milestones and activities required to achieve these group milestones as part of the preparation of individual financial statements are part of the responsibilities of the respective company's management.

Once they have been transmitted from the individual financial statements under IFRS to the SAP-based consolidation system, the financial data are subjected to an automated plausibility review in relation to accounting-specific contexts and dependencies. Any errors or warning messages generated by the system during this validation process must be addressed by the person responsible for the individual financial statements before the data are transmitted to the consolidation facility.

The report in which all essential group companies provide a comparison of key items of the balance sheet and the income statement with prior-year figures as well as relevant comments represents another monitoring instrument. Every essential group company must provide this report to METRO AG in the context of the preparation of individual financial statements.

Access regulations for accounting-related EDP systems (SAP FI) provide for IT security. Each company included in the consolidated financial statements is subject to the regulations concerning IT security. These regulations are summarised in an IT security guideline, with group-wide compliance being monitored by the Group Internal Audit department of METRO AG. This ensures that users only have access to the information and systems needed to fulfil their specific task.

Accounting processes in the context of consolidation

The planning tool also divides the process of preparing the consolidated financial statements into key milestones, activities and deadlines. In the process, the completion of typical consolidation measures – including sales elimination, expense and income, liability and capital consolidation – represents specific milestones in the preparation of the consolidated financial statements. Personnel responsibilities for the consolidation measures mentioned above are documented in consideration of stand-in arrangements.

The group also relies on external service providers to handle support activities related to the preparation of the consolidated financial statements. These services essentially relate to valuations of real estate, pension obligations and share-based payments.

The consolidation measures required to prepare the consolidated financial statements are subject to various systematic and manual controls. The automated plausibility reviews (validations) used in individual financial statements data also apply to the consolidation measures. Additional monitoring mechanisms at group level include target-performance comparisons as well as analyses dealing with the composition and changes of individual items in the balance sheet and the income statement. Compliance with internal controls covering the preparation and accounting process in the context of the compilation of the consolidated financial statements is regularly monitored by the Group Internal Audit department of METRO AG.

Access regulations for the consolidation system SAP EC-CS are implemented to ensure adherence to IT security regulations (writing and reading authorisations). Authorisations to use the consolidation system are managed centrally by METRO AG. The approval is given only from the Corporate Accounting and Corporate Planning & Controlling departments. This ensures that users only have access to data they require to fulfil their specific tasks.

Independent audit/control

Group Internal Audit
The Group Internal Audit department of METRO AG provides independent and objective audit and consulting services within METRO GROUP and supports the Management Board of METRO AG and the management of the group companies in reaching their goals through a potential-orientated assessment of key management and business processes. In coordination with the Management Board and the group companies, the Group Internal Audit department develops a risk-orientated annual audit and project plan.

Based on the described principles, the Group Internal Audit department carries out independent audits of the controls governing the process of preparing the consolidated financial statements, the implementation of the IFRS accounting guideline and group accounting processes within METRO GROUP. In the process, focal topics are defined as part of risk-orientated planning for the annual audit.

External audit
The IFRS accounting guideline is reviewed by the auditor of the consolidated financial statements and made available to the auditors of the companies included in the consolidated financial statements. These, in turn, confirm the consistent application of the IFRS accounting guideline by the companies included in the consolidated financial statements.

In addition, the individual IFRS financial statements prepared by the group companies for consolidation purposes as well as the consolidated financial statements and combined management report of METRO AG are reviewed and monitored for compliance with applicable accounting regulations as well as with additional rules and regulations by the respective auditors.

The interim consolidated financial statements for the six-month period undergo an auditor's review and the full-year consolidated statements are audited. The final auditor's opinion on the consolidated financial statements is published in the annual report.

12. Risk and opportunity report

Risk and opportunity management system

In a dynamic market environment, early identification and exploitation of opportunities are a fundamental entrepreneurial task. This is the precondition for our company's long-term success. METRO GROUP is regularly exposed to risks that can impede the realisation of its short- and medium-term objectives or the implementation of long-term strategies. In some cases, we must consciously take controllable risks to be able to exploit opportunities in a targeted manner. We define risks as internal or external events resulting from uncertainty over future developments that can negatively impact the realisation of our corporate objectives. We define opportunities as possible successes that extend beyond the defined objectives and can thus positively impact our business development. We consider risks and opportunities as inextricably linked. For example, risks can emerge from missed or poorly exploited opportunities. Conversely, exploiting opportunities in dynamic growth markets or in new business areas always entails risks.

With this in mind, we consider our company's risk and opportunity management as a tool that helps us realise our corporate goals. It is a systematic, group-wide process. It helps the company's management to identify, classify and control risks and opportunities. As such, risk and opportunity management is a uniform process. Risk management renders developments and events that could hinder us from reaching our business targets transparent at an early stage and analyses their implications. This allows us to put the necessary countermeasures in place in a timely manner. At the same time, this forecasting process allows us to systematically exploit emerging opportunities.

Centralised management and efficient organisation
Group-wide risk and opportunity management tasks and responsibilities are clearly regulated and reflect METRO GROUP's corporate structure. We combine centralised business management by the management holding company METRO AG with the decentralised operating responsibility of the individual sales lines.

It is the responsibility and a legal requirement of the Management Board of METRO AG to organise its governance system for METRO GROUP. We regard the risk management system, the internal control and compliance management system as well as internal auditing as subsystems of the governance, risk and compliance system (GRC system). This organisational structure is based on the governance subsystems identified in § 107 Section 3 of the German Stock Corporation Act (AktG) as well as the German Corporate Governance Code. The Management Board of METRO AG passed a governance, risk and compliance guideline which took effect on 1 July 2013 and which regulates and documents the basic principles of the GRC system. The goal of this guideline is to render structures and processes more transparent as well as provide for a uniform procedural-organisational framework for the subsystems. The guideline sets the binding framework for existing and future regulations of GRC subsystems. This is the foundation on which we plan to increase the overall efficiency of the GRC system within METRO GROUP and to continuously enhance the effectiveness of the GRC subsystems.

The group committee for governance, risks and compliance co-chaired by the CEO and the CFO of METRO AG regularly discusses ways to harmonise the GRC sub-systems and the current risk and opportunity situation. Permanent members include representatives of Corporate Accounting (including Corporate Risk Management and Internal Control Finance), Corporate Planning & Controlling, Corporate Legal Affairs & Compliance (including Internal Control Operations), Group Internal Audit and Corporate Group Strategy/M&A and the Group Finance Director.

Risk management
The Management Board of METRO AG assumes overall responsibility for the effectiveness of the risk management system as part of the GRC system. The sales lines and group companies are responsible for identifying, assessing and managing risks. Key elements of internal monitoring include effectiveness checks in the form of self-assessments by the management as well as internal audits.

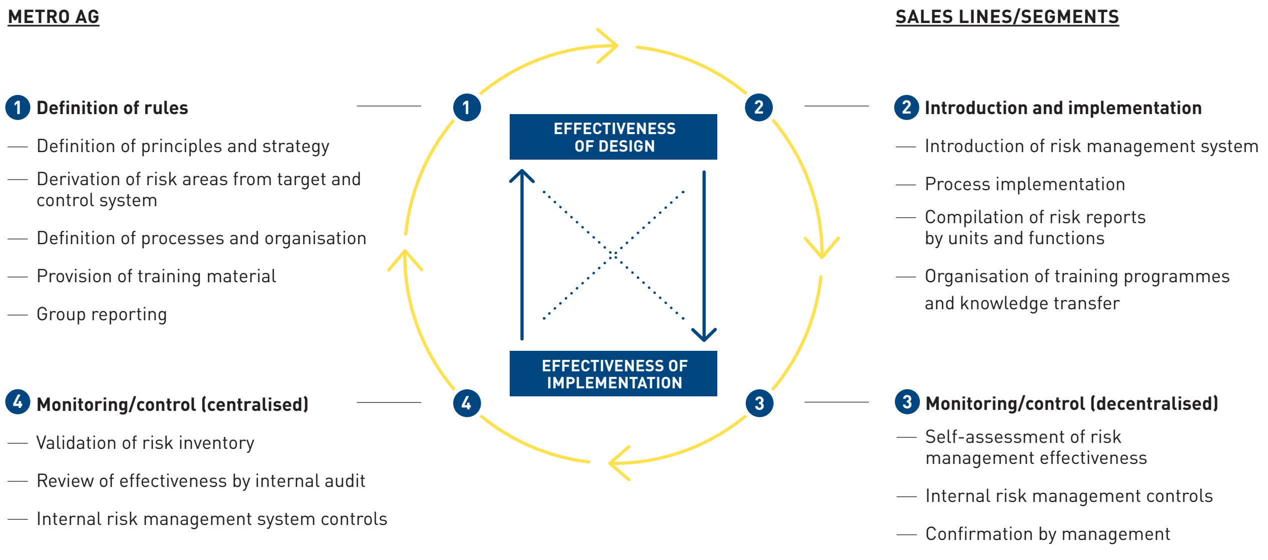
The Supervisory Board of METRO AG also oversees the effectiveness of risk management. In compliance with the provisions of KonTraG (the German Corporate Sector Supervision and Transparency Act), the external auditor submits the company's early-detection system as part of the risk management system to a periodic review. The results of this review are presented to the Management Board and Supervisory Board.

The Risk Management department within the Corporate Accounting department of METRO AG is responsible for maintaining and refining the risk management system of

METRO GROUP. METRO GROUP's risk management officer determines the company's risk management approaches, methods and standards. The risk management officer also coordinates the underlying process. In this context, he continuously and promptly informs the Management Board of METRO AG of important developments in risk management, ensures the group-wide exchange of information and supports the continued development of risk management in all sales lines and group units.

The risk management system is organised as a closed loop to ensure the design's effectiveness with respect to the defined risk management rules. In addition, this allows us to guarantee effective implementation and continuous improvement of the system based on results and experiences.

Risk management as a closed loop



Opportunity management
Systematically identifying and communicating opportunities is an integral part of the management and controlling system of METRO GROUP. Opportunities may refer to internal or external events and developments that can have a positive impact on our business development. In principle, we strive to balance opportunities and risks.

We conduct macroeconomic analyses and evaluate market, competition and location analyses. In addition, we analyse the critical success factors and relevant cost drivers of our company. The Management Board of METRO AG specifies the derived market and business opportunities as well as efficiency enhancement potential in the context of strategic as well as short- and medium-term planning. To this end, it entertains regular dialogue with the management of the sales lines, group companies and central holding units. As a company, we focus primarily on market- and customer-driven business approaches. We continuously review the various elements of our profitable growth strategy.

Reporting

Group reporting is the central element of internal opportunity and risk communication. It is complemented by opportunity and risk management reporting. The aim is to allow for the structured and continuous monitoring of risks and opportunities and document this in line with legal and regulatory stipulations.

We conduct an annual risk inventory to systematically map and assess all material group-wide risks based on quantitative and qualitative indicators and uniform criteria relating to the extent of damage and the probability of occurrence. The results of the risk inventory and the risk portfolio are updated on a regular basis.

The centrally responsible risk coordinators, for example in procurement, sales or administrative functions, validate the results reported by the sales lines, group companies and central departments. In a second step, they summarise these in a functional risk profile coupled with a detailed description of material individual risks. In a third step, risk profiles for selective categories are validated in direct interaction between risk coordinators and the GRC committee and specific steps to improve risk management are devised.

In addition, we consider the results of the SWOT (strengths, weaknesses, opportunities, threats). analysis carried out as part of the strategic planning process. We also consider analyses of reports which we compile as part of our medium-term planning and projections.

An emergency notification system takes effect in case of serious risks to our asset, financial and earnings position. In this case, the Management Board of METRO AG directly and promptly receives the necessary information.

The Management Board regularly informs the Supervisory Board and the Accounting and Audit Committee about risk and opportunity management issues. Once a year, the Supervisory Board receives a comprehensive written report informing it about the organisation and alignment of risk and opportunity management as well as the current risk and opportunity situation.

In the reporting period, we compiled an overarching risk and opportunity portfolio for METRO GROUP for the first time. This portfolio also considers the results of the internal control system and the compliance management system, the opportunity management system and internal auditing. This provides for an enhanced overview of our company's risk and opportunity situation. The so-called GRC report describes the current situation and includes recommendations on risk management and measures to improve the effectiveness of GRC subsystems.

Strict risk policy principles

In principle, METRO GROUP takes entrepreneurial risks only if they are manageable and if the associated opportunities promise reasonable added value.

Risks incurred in conjunction with the core processes of wholesaling and retailing are borne by METRO GROUP. The core processes include the development and implementation of business models, decisions on store locations, and the procurement and sale of merchandise and services. Risks from support processes are reduced within the group or, where this appears sensible, transferred to third parties. In principle, we do not assume risks that are not related to core processes or support processes.

Risk management details clearly defined

The coordinated application of risk management tools is assured by the compilation of all relevant facts in guidelines. These include the Articles of Association and by-laws of group companies, internal group procedures and METRO GROUP's group-wide risk guideline. It defines

— the risk management framework (terms, basic structure, strategy, principles),
— the risk management organisation (roles and responsibilities, risk units),
— processes (risk identification, assessment and management),
— risk reporting as well as
— monitoring and controlling the effectiveness of risk management.

Based on the internationally recognised COSO II standard, the risk management framework addresses the three levels of risk management: corporate objectives, processes and organisation.

The first level of risk management relates to the clustering of corporate objectives. In this respect, METRO GROUP has defined the following clusters:

— Strategic objectives related to safeguarding the company's future economic viability (cluster strategy)
— Operational objectives related to the attainment of set key operational metrics (cluster operations)
— Corporate management objectives related to compliance with laws, regulations, internal guidelines and specified procedures (cluster governance)
— Objectives related to appropriate preparations to mitigate event risks such as breakdowns, business interruptions and other crisis events (cluster events)

On the second risk management level – the process level, the definition of objectives also serves as the starting point for risk mapping. In this context, we identify, classify and manage risks that would jeopardise or inhibit the achievement of our objectives should they materialise. As a rule, we consider all external and internal risks.

In addition, clusters are delineated in terms of functional categories, such as procurement, sales, human resources or real estate, based on the group's organisational structures. In principle, we consider risks over a prospective one-year period. Strategic risks cover at least the medium-term planning horizon (three years). Any risks that are likely to occur are included in our business plans and outlook.

Risk classification

All identified risks are classified based on uniform standards and quantitative and qualitative indicators with respect to the extent of damage (negative effects on our corporate objectives and key metric EBIT) and probability of occurrence (in per cent). In our assessment, we classify the extent of damage relevant to the group on the basis of three categories: ≥ €50 million, ≥ €100 million and ≥ €500 million. The probability of occurrence is broken down into five categories: low (< 10 per cent), unlikely (≥ 10 to 25 per cent), possible (> 25 to 50 per cent), likely (> 50 to 90 per cent), high (> 90 per cent). All risks are assessed on the basis of their potential impact at the time of the risk analysis and before potential risk-minimising measures (presentation of gross risks, that is, before the implementation of risk limitation measures).

Risk units

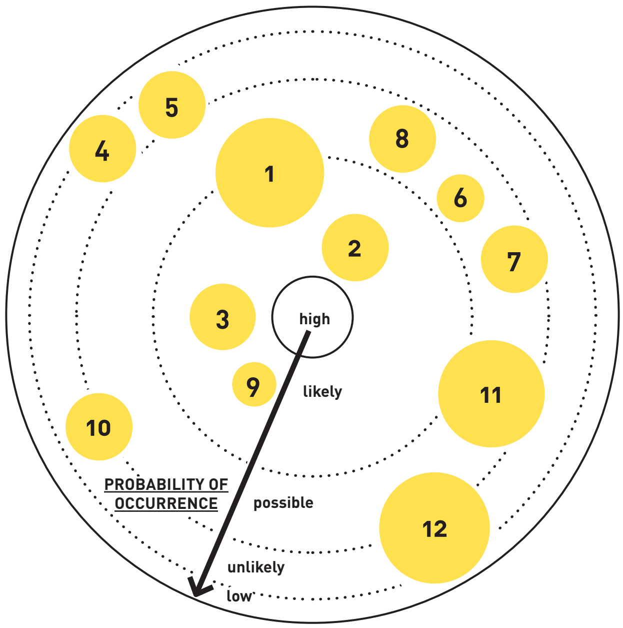
On the organisational level, we determine the corporate units responsible for setting objectives in a clearly defined area as well as identifying, classifying and managing risks. METRO GROUP's risk management defines these areas in line with the corporate organisation using independent risk units – generally companies – as well as in terms of function using categories that are responsible for a certain operational function or administrative task. The risk units cover the entire consolidation group in the consolidated financial statements.

Presentation of the risk situation

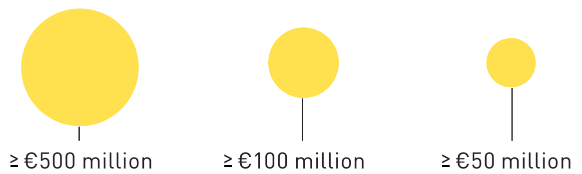
We have classified METRO GROUP's overall risk portfolio into risk groups. In addition to general risks, the Management Board of METRO AG identified and assessed twelve risks that were especially relevant (gross risks) to METRO GROUP during the reporting period. These are listed in the following overview:

Risk group	No.	Particularly relevant risks 2013
Environmental risks		
Macroeconomic and social risks		
Ecological risks		
Sector risks		
Risks related to the retail business	1	Challenge of the business model/change in consumer habits
	2	Loss of customers with relatively low sales volumes (C customers) at METRO Cash & Carry
	3	Inadequate customer-focused non-food strategy at METRO Cash & Carry
	8	Inadequate implementation of strategic projects
Real estate risks	4	Unprofitable use of selling space
Risks related to business performance		
Supplier and product risks		
Logistics risks		
Risks related to finances		
	7	Unexpected deviations from the budget or guidance
	11	Impairment of goodwill and other assets
	12	Downgrading of the ratings with a negative impact on liquidity and group financing
Other risks		
Risks from portfolio changes		
Information technology risks	5	Business interruptions caused by IT system failures
Human resources risks	6	Inadequate development and support of talented employees
Legal and tax risks	10.1	Violations of antitrust or competition law
Compliance risks	10.2	Corruption
	9	Inadequate or ineffective internal control systems in store, purchasing, expansion and construction processes

These twelve particularly relevant risks are classified as follows on the basis of the extent of loss potential (before risk limitation steps) as well as on the basis of probability of occurrence:



Size of circle = potential impact



Notes

Low < 10%
Unlikely ≥ 10-25%
Possible > 25-50%
Likely > 50-90%
High > 90%

The width of the rings visualises the underlying probability of occurrence.

The following sections outline the individual risk groups as well as key management measures and the twelve especially relevant risks. In principle, all group segments are affected. For specific issues, the respective business segments are indicated.

Environmental risks

Macroeconomic and social risks

As an international company, METRO GROUP is dependent on the political and economic situation in the countries in which it operates. In the countries of Europe, in particular, the sovereign debt crisis continued to dominate developments during the short financial year 2013. Following the longest recession in the history of the European Monetary Union, a gradual recovery started only over the course of the year. Nonetheless, the retail sector remained under pressure from governments' austerity programmes and high unemployment levels, which continued to have a negative impact on disposable household income. These negative pressures will subside over time although repeated setbacks in fiscal consolidation are likely. Eastern European economies also suffered an economic slowdown as a result of the recession in Western Europe. Nonetheless, we expect the European economies to return to stronger growth rates in the coming years. All the while, the region continues to boast strong growth potential. Despite a loss of momentum compared with previous years, we expect the growth markets of Asia to profit from a continued strengthening of domestic demand and the emergence of an affluent middle class. Compared with the previous year, the risk and opportunities profile for the short-to medium-term development of the retail sector and thus for METRO GROUP has improved slightly once again. We are systematically expanding in the growth regions of Asia and Eastern Europe to reduce potential risks posed by the regional differences in economic performance.

Our international position requires us to address possible economic, legal and political risks. The situation in individual countries can change rapidly. Unrest, changes in political leadership, terrorist attacks or natural disasters can endanger METRO GROUP's business in the affected country. We insure ourselves as far as possible and to the appropriate extent against business interruptions that, for example, are the result of political unrest. Professional crisis management allows for a fast response and crisis management. In the short financial year 2013, for example, we responded quickly and effectively to renewed unrest in Egypt by temporarily closing our two local stores and head office. Our international presence provides us with the opportunity to offset economic, legal and political risks as well as fluctuations in demand between individual countries.

To limit the risks of expansion as far as possible, we plan each investment and each market entry based on a structured process and proven methods. We identify risks and opportunities by conducting feasibility studies. We only enter new markets when risks and opportunities are deemed to be manageable. Risks can also be reduced by forging partnerships with local companies. These businesses know the legal, political and economic environment of the respective country. Even though we base our expansion decisions on the best available information, we cannot rule out the possibility that the growth momentum in individual countries will fall short of our expectations in the coming years. Difficulties in dealings with local authorities represent another risk, particularly in emerging markets. Occurrence of these risks would result in lower-than-forecast sales and earnings.

Details about the development of the economic environment can be found in chapter 13 Supplementary and forecast report.

Ecological risks

METRO GROUP is aware of its responsibility for our environment and has firmly embedded the principle of sustainable business in its corporate strategy. Environmentally harmful practices along the supply chain can seriously damage our image over the long term and endanger our business. This is why we implement numerous measures to ensure environmentally responsible business practices. For example, we intend to reduce our emissions of specific greenhouse gases significantly by the year 2020, compared with 2011 figures. We are taking various measures to achieve this objective, including, for example, an optimisation of our energy management. Energy-saving measures will also enable us to reduce our energy costs or at least cap them in the face of rising prices.

As part of its membership in the Consumer Goods Forum, METRO GROUP has made a commitment to only use such natural cooling agents as carbon dioxide in new cooling equipment starting in 2015. The use of natural cooling agents is also a key component in adjusting to new regulatory requirements regarding the use of cooling agents. The European Union is currently preparing a revised version of the regulation on fluorinated greenhouse gases.

Over the medium term, the effects of climate change can limit the availability of commodities, for example as a result of weather-related harvest shortfalls. This can result in higher prices for agricultural products. METRO GROUP is already addressing this issue today by training suppliers in emerging markets to reduce post-harvest losses in these countries. METRO GROUP comprehensively reports about the risks and opportunities resulting from climate change as part of its membership in the Carbon Disclosure Project (CDP).

Details about environmental protection can be found in chapter 8 Sustainability management.

Sector risks

Risks related to the retail business

The saturated markets of Western Europe, in particular, are characterised by rapid change and intense competition. The resulting conditions can influence business developments and represent natural business risks. A fundamental business risk is consumers' fluctuating propensity to consume.

Changes in consumer behaviour and customer expectations pose high risks – including in the face of demographic change, rising competition and increasing digitalisation. Failing to adequately consider customer trends and price developments or missing trends in our assortments and with respect to appropriate sales formats and new sales channels can have a negative impact on group sales and jeopardise our growth objectives (number 1). To counter these risks, we have expanded our sales channels based on a multichannel strategy tailored to our different sales lines. In the process, we have strengthened our online activities, expanded our delivery service and introduced a drive-in concept. In addition, we are setting up new stores for our sales line METRO Cash & Carry on the basis of a franchise concept while intensifying our competitor analyses at the same time. The sales line METRO Cash & Carry faces the risk of losing customers with relatively low sales volumes, also known as C customers (number 2). We have started to implement the necessary assortment, price, communication and marketing measures to counter this risk and are leveraging social media in the process. In addition, we have begun to launch targeted campaigns to strengthen our market share in the C customer segment (for example, the campaign for the 50th anniversary of METRO Cash & Carry). In principle, METRO Cash & Carry faces the potential risk of not meeting customers' needs in the non-food business (number 3). To address this risk and to provide targeted product ranges, we continuously optimise our sales concepts and refine them to meet the needs and shopping behaviour of our customers. In one reflection of this, we are expanding our range of regionally traded products and increasingly gearing our assortments to meet our customers' increasing demands with regard to ecological, social and health considerations. In this regard, we systematically modified the non-food assortment during the reporting period and removed products that were not particularly popular with customers. We pursue transformation programmes aimed at boosting long-term sales and earnings and protecting the intrinsic value of our assets. In addition, the company faces strategic project risks that could prevent a project from succeeding (number 8). To limit these risks we have implemented comprehensive monitoring of project implementation in the national subsidiaries. We also systematically offer financial incentives designed to ensure the successful implementation of our projects. To recognise market trends and changing consumer expectations early on, we regularly analyse internal and external information. In the process, the group's own market research draws on qualitative market and trend analyses as well as quantitative methods such as time series analyses or forecasts of market developments derived from analyses of sales data and the results of panel market research. Time series analyses also include the observation of product segments on the market over a certain period of time.

Real estate risks

Various factors pose a risk to the intrinsic value of METRO GROUP's portfolio of locations. These include

- selling space that can no longer be profitably used (number 4).
- intense competition over suitable properties,
- the risk of poor decisions on the choice of location which can be reflected in new store openings failing to attract the expected customer response as well as
- a deterioration in the profitability of a location, for example due to declining sales or rent increases.

To prevent maintenance and repair backlogs in stores, a constant monitoring process is carried out to ensure that maintenance needs are being met. In addition, some locations may suffer loss of rental income as a result of a tenant's bankruptcy, as was the case with the insolvency of Praktiker during the reporting period, or possible deficient rental cover. In some regions, our real estate portfolio is exposed to natural disasters such as earthquakes, flooding and storms. We seek protection against their potential effects by undertaking structural measures and by taking out insurance.

We counter these risks through active property management, professional strategic and operational investment controlling, and technical risk management. Active real estate management includes the development of usage concepts for excess space. In all countries, we select our locations on the basis of an intense examination. By continually monitoring the profitability of our network of locations, we can identify adverse developments at individual stores or retail outlets early on and respond quickly. Should the measures we have taken not produce any successful results and should we think that a long-range improvement of the situation at the particular store or outlet is unlikely to occur, we will close the location, ensuring the continuous optimisation of the store network in the process. We address the risks emanating from external property rentals through continuous monitoring of lease payments and timely searches for financially strong external tenants.

Risks related to business performance

Supplier and product risks

As a retail and wholesale company, METRO GROUP depends on external producers and providers for the supply of goods and services. We choose our suppliers very carefully, particularly in the own-brand area. We place a particularly high priority on the reliability of our own-brand suppliers in terms of product quality and compliance with safety and social standards as well as suppliers' own efforts with regard to compliance. Defective or unsafe products, an exploitation of our environment or inhumane working conditions as well as failure to adhere to the compliance standards of METRO GROUP would cause extensive damage to the image of METRO GROUP and pose a long-range threat to the company's success. For this reason we continuously monitor our own-brand suppliers to check whether they adhere to METRO GROUP's high procurement and compliance policy standards. In particular, these include the quality standards tested by the Global Food Safety Initiative (GFSI), such as the International Food Safety Standard and the GLOBALGAP certification for agricultural products. They help to ensure the safety of foods on all cultivation, production and sales levels. In addition, METRO GROUP has been committed to promoting humane working conditions at its suppliers for many years and conducts a broad range of measures in support of this goal. For example, our own-brand suppliers are required to protect fundamental human rights and to guarantee fair working conditions. In proof of this, our supplier contracts demand an audit based on the BSCI (Business Social Compliance Initiative) standard or an equivalent standard. This requirement applies to own-brand suppliers of non-food articles who manufacture end products in high-risk countries and import these into the European Union. With targeted training programmes, we support suppliers, particularly in emerging markets, in their efforts to fulfil set requirements in the areas of product quality, safety and environmental standards as well as to ensure fair and humane working conditions. This year, we also began to support the international accord on fire and building safety in the textile industry in Bangladesh by providing both expertise and financial support. Above all, our requirements of our suppliers are regulated in special contracts which are regularly reviewed for compliance. Violations of conditions can lead to exclusion from our supplier network or, in case of unacceptable production methods such as sandblasting of jeans, which is harmful to health, to a procurement ban on a product. In this way, we further minimise our supplier risk. Should, however, an incident related to quality occur, the process steps described in our manual on incidents and crises take effect. Our top priority is to correctly manage the incident in the customers' best interest. In addition, we examine possible improvements to our quality assurance systems.

To prevent disruptions in the supply of goods and to avoid becoming dependent on individual companies, we work with a variety of suppliers and ensure that we do not become dependent on individual companies. By taking this approach, we ensure that the desired product is practically always in stock in the desired quality and quantity and, in the process, achieve high levels of customer satisfaction.

Our success also depends heavily on the procurement prices of the products offered for sale. In many cases, our large purchasing volumes in numerous countries have a positive effect. Product prices are based on the availability of the required raw materials that may temporarily or continually become scarce. This can drive up procurement prices or lead to a certain level of volatility. For example, increased energy prices can lead to higher procurement prices for a variety of products. We address procurement risks by optimising the purchasing process. Such steps include joint procurement and the negotiation of terms with our suppliers. Prompt implementation of these measures is a key success factor.

We contribute to the sustained availability of resources through our own activities and by actively supporting initiatives aimed at sustainable resource utilisation. One example of this is our group-wide fish procurement policy which contributes to the conservation of fish stocks. In addition, we play an active role in the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC). Both organisations award product seals for sustainable fishery aimed at the conservation of fish stocks and for aquacultures operating in an environmentally sustainable and socially responsible manner. As early as 2011, METRO GROUP joined the Roundtable on Sustainable Palm Oil (RSPO). The organisation, which includes companies and non-governmental organisations, promotes the sustainable cultivation of palm oil plants, a raw material used in cosmetics and sweets, in particular.

Other examples of product risks include supply bottlenecks after natural disasters, longer delivery times and price increases. METRO GROUP's procurement management creates the necessary structures to ensure a sufficient supply of goods at all times.

Our activities to foster a sustainable supply chain are described in chapter 8 Sustainability management.

Logistics risks

The responsibility of logistics is to ensure a high security of goods supplies at optimised cost structures while considering sustainability-related aspects such as energy and fuel consumption. The wide variety of goods and articles and the high merchandise turnover, however, result in organisational, IT, logistics and inventory risks. The company's international positioning and focus on national, regional and local product assortments increase these risks. Additional challenges arise from the expansion of our online activities and our multichannel business, delivery options and other innovative sales formats. Any disruptions in the supply chain, for example in the supply of goods, could lead to inadequate availability of products. We reduce our dependency on individual suppliers and service providers by expanding our circle of business partners and internally employing the principle of efficient labour division.

Another logistics risk arises from the generally complex and at the same time underdeveloped supply structures that prevail in emerging and developing markets, in particular. In many cases, these go hand in hand with particularly challenging climatic conditions that can result in food spoilage on the way from the producer to the store. METRO GROUP creates the necessary structures to ensure consistently high quality along the supply chain at all times. We conduct qualification programmes to prepare our suppliers and logistics providers in emerging markets for these logistics requirements. In this way, we also make a lasting contribution to local food supplies and counter the problem of food waste.

In case of product incidents, our logistics systems must be prepared to trace the good's itinerary and origin within a very short time. This is done with the help of modern technologies and product identification standards. We are actively involved in various international organisations to foster the developments of these standards and promote the introduction of innovative technologies for improved product identification.

Risks related to finances

The treasury of METRO AG manages the financial risks of METRO GROUP. The risk of price changes (interest risks, currency risks, share price risks), liquidity risks, creditworthiness risks in dealings with counterparties in the context of financial transactions and risks arising from cash flow fluctuations may have a significant negative impact on our financial result.

Ensuring METRO GROUP's unlimited access to the capital markets is integral to the management of financial risks. A rating downgrade would have a significant negative impact on our liquidity and group financing (number 12). To prevent this, our current strategy focuses on debt reduction. Among other things, this is achieved by continuously optimising our net working capital and focusing our investment funds on measures that add value for the company. In this way, we gain additional flexibility to finance the transformation of our business models in response to the continuously changing needs and demands of our customers while allowing for a stabilisation and medium-term improvement of our rating. Another identified risk concerns unexpected deviations from our budget or guidance (number 7). This could mean that we would not hit our target figures and would have to revalue our assets, including our goodwill. In turn, this would have a negative impact on our asset and earnings position (number 11). For this reason, we attach a high priority to measures designed to limit these risks. The steps we take to offset this risk include careful monitoring of opportunities and risks as well as the effective internal control of the budget and forecast process. The internal audit department regularly reviews the effectiveness of internal controls as part of its audit schedule. In addition, we implement strategic earnings improvement initiatives, particularly in countries that are subject to impairment risk.

These risks and their management are described in more detail in the notes to the consolidated financial statements in no. 43 "Management of financial risks".

Other risks

Risks from portfolio changes

METRO GROUP aims to continuously optimise its portfolio. All portfolio changes and the related strategic and investment or divestment decisions are guided by their contribution to the company's success in terms of value-based management. We can reduce risks related to the intrinsic value of our assets – both in terms of individual groups of assets and our overall portfolio – through value-based management.

We expect to conclude the sale of the Eastern European business (excluding Turkey) of our Real sales line within the first six months of the financial year 2013/14. Real Ukraine, Real Russia and Real Romania have no longer been included in the consolidated financial statements of METRO GROUP since 1 March 2013, 1 April 2013 and 1 September 2013 respectively. The transfer of Real in Poland is scheduled to be completed in the first half of the financial year 2013/14 following the antitrust approval. Risks resulting from this portfolio change are reflected in the financial statements to the extent that this can be done in the balance sheet.

Information technology risks

The demands of our information technology (IT) have markedly increased as a result of new formats and sales channels, such as online retail and deliveries. Other tasks include real-time analyses of business processes and timely monitoring and management of merchandise flows. Regulations, for example on data protection or credit card processing, the associated increased public debate about misconduct and the increasing complexity of IT generate additional risks for our company.

As a result, we have reinforced the organisational measures that ensure our compliance with internal and external IT regulations. We regularly check systems connected to the Internet for weak spots. We counter the increasing complexity of modern IT landscapes through tightened management regulations and a centralised corporate architecture, known as enterprise architecture management.

Important business processes such as product ordering, marketing and sales have used IT systems for many years. As a result, the continuous availability of the infrastructure is a critical factor in the development and implementation of our IT solutions. Systems that are essential business operations in the stores, above all checkouts, are largely self-contained and can continue to be used for some time even during events such as network failures or the failure of central systems. In case of partial network failures, they can automatically reroute shipments or switch to redundant routes.

Modern technologies such as remote server management and cloud computing allow us to use our hardware efficiently. In addition, in the event of one or several server failures, centralised IT systems can quickly be restored. We operate several central computer centres, which enable us to compensate even for business interruptions and to limit them to a minimum. We have introduced a contingency plan to restore computer centres in Germany following longer-term outages (for example as a result of fires, natural disasters or criminal actions) (number 5).

Information is a key resource for all companies of METRO GROUP. This means that it must enjoy the same protection as all other assets. For this reason, METRO AG developed a documented IT security management system (ISMS), which was launched at the start of 2013. The aim of this system's framework is to ensure confidentiality (access only for authorised users) and integrity (accuracy and completeness) of this information. Among other things, the management principles for IT security describe our operational and organisational structures. We have implemented IT security controls in accordance with the ISO 27000 industry standard. For example, the IT security guideline sets out requirements for the assignment of passwords. In this way, we ensure that the data we process are correct and complete and can only be viewed by authorised staff. The necessary user accounts and access authorisations are administered centrally according to predefined, partially automated processes. We regularly review whether group specifications are followed in terms of critical user rights and provide centralised reports on the results of our examinations. Affected employees are made aware of IT security issues, prepared for these and kept up to date through regular, standardised training courses in accordance with ISO 27000. In addition, the key processes and IT systems of our central IT company METRO SYSTEMS are reviewed by internal audit and by external inspectors who examine and certify them in accordance with the international standard for audit reports of service organisations ISAE 3402 (International Standard on Assurance Engagement).

Awareness of the importance of data protection was further raised at all levels of our group. The commitment to adhere to the data protection standards of the German Federal Data Protection Act (BDSG) is part of all employment contracts. In particular, employees of company units that have access to and handle sensitive data undergo on-site training on data protection. Employees with privileged access rights (for example, administrators) must sign an additional formal obligation.

Human resources risks

The expertise, dedication and motivation of our employees are key success factors that have a decisive impact on METRO GROUP's competitive position. One prerequisite to achieving strategic goals are highly qualified experts and managers. It is an ongoing challenge to recruit and retain such valuable employees for the group, in particular in the face of demographic change and intense competition for the best people. Intra-company programmes for the continued qualification of employees and the strengthening of corporate culture are also indispensable. To ensure that our employees have the requisite expertise and leadership skills, we optimise training and professional development programmes at all levels. Training courses and effective human resources development measures promote entrepreneurial thinking and actions; variable pay components based on the attainment of corporate and individual objectives serve as an incentive. Direct participation in business success increases employees' identification with METRO GROUP and enhances their awareness of opportunities and risks in all entrepreneurial decisions.

Our group-wide human resources policy pursues the principle of "develop and challenge". This is reflected in annual performance reviews in which past achievements are assessed and future development measures are agreed with individual employees. With targeted training programmes, which we implement in cooperation with various partners, we manage to attract young people to METRO GROUP and to optimally develop their particular strengths. In Germany, in particular, the METRO GROUP companies therefore place great value in their own training programmes for employees. With a share of 7.7 per cent, we continue to be one of Germany's largest providers of occupational training. This also includes the integration of professionally and socially disadvantaged or disabled young people into our day-to-day work environment. The principle of diversity and equal opportunity among our employees helps us retain the best experts and managers over the long term. Succession planning at METRO GROUP, in particular in senior management positions, is guaranteed through customised career paths and development plans. All these measures serve to counter the key risks of insufficient talent development and promotion (number 6).

Health promotion concepts, such offers as computer/desktop glasses, back therapy training, fitness classes, company sports activities, dietary tips, ergonomic advice, stress prevention training courses and employee counselling programmes provide for a safe, hazard-free work environment. We counter risks of non-compliance with applicable labour regulations by treating our employees with respect. This effort is supported by guidelines on fair working conditions and social partnership. These guidelines aim to create a work environment characterised by respect, fairness and partnership.

Additional information on METRO GROUP's human resources policy can be found in chapter 6 Employees.

Legal and tax risks

Legal risks arise primarily from labour and civil law cases as well as from changes in trade laws. In addition, risks for METRO GROUP may arise from preliminary investigations, for example possible infringements of cartel or competition law (number 10.1). Antitrust law risks may arise in the context of business dealings with METRO GROUP suppliers, for example, when it has not been assured that agreed terms and conditions comply with applicable laws and regulations.

Tax risks mainly emanate from external audits which take a differing view of certain circumstances and transactions. In addition, risks may result from interpretations of sales tax regulations. The tax department of METRO AG has established appropriate guidelines to ensure an early detection and minimisation of tax risks. These risks are regularly and systematically examined. The resulting risk minimisation measures are coordinated by the tax department of METRO AG and the national subsidiaries.

Control of Media-Saturn-Holding GmbH

Based on the arbitral award of 8 August 2012 and the decision of the Higher Regional Court of Munich of 9 August 2012, the Management Board feels confirmed in its opinion that the consolidation of the Media-Saturn group of companies was rightfully effected according to the relevant IFRS regulations, both in the past and in the consolidated financial statements as of 31 December 2012. In the context of the proceeding before the Higher Regional Court of Munich regarding the order of enforcement for the arbitral verdict of 8 August 2012, which was initiated by METRO, a non-controlling shareholder of Media-Saturn-Holding GmbH (MSH) filed an application to reject METRO's petition by invalidating the arbitral verdict. In addition, the member of the advisory board appointed by the non-controlling shareholder has filled several legal challenges against MSH and raised questions about decisions taken by the advisory board of MSH. In addition, a METRO AG shareholder filed a nullity plea regarding the approved annual financial statements of METRO AG as of 31 December 2012 citing an alleged infringement of the regulations governing the structure of the annual financial statements due to allegedly flawed consolidation of the Media-Saturn group of companies in the consolidated financial statements of METRO AG. If, contrary to the expectations of the Management Board, the Higher Regional Court of Munich were to invalidate the arbitral verdict and, in another procedural step, another arbitral court were to decide this matter to the disadvantage of METRO AG, or a court were to assume the flawed consolidation of the Media-Saturn group of companies in the context of the lawsuit filed by the METRO AG shareholder, the Management Board's opinion on the full consolidation of the Media-Saturn group of companies would have to be reviewed. In that case, a deconsolidation of the Media-Saturn group of companies might become necessary if the sustained power to exercise control cannot still be assumed. A deconsolidation of the Media-Saturn group of companies based on current values would lead to one-time non-cash deconsolidation income. Following the deconsolidation, the interest in the Media-Saturn group of companies would have to be recognised at equity. This change regarding the consolidation of the Media-Saturn group of companies could impact the company's key financials.

Additional information on legal issues is included in the notes to the consolidated financial statements in no. 46 "Other legal issues".

Compliance risks

The activities of METRO GROUP are subject to various legal stipulations and self-imposed standards of conduct. Legal requirements in the various jurisdictions as well as the expectations of our customers and the public regarding corporate compliance have generally increased and become more complex. In response to these requirements, METRO GROUP has established a group-wide compliance system which it continuously refines. The aim of this system is to systematically and sustainably prevent regulatory infringements within the company. METRO GROUP regularly identifies behavioural corporate risks.

During the short financial year 2013, METRO GROUP continued to develop its procedures for dealing with compliance incidents. Newly structured processes for dealing with compliance incidents and for compliance training courses provide for consistent procedures within the compliance management system. Our compliance management is primarily focused on preventing corruption and antitrust law risks. On the one hand, corruption risks arise in dealings with public authorities and public officials, for example in the context of the company's international expansion or authorisation processes. On the other hand, they can arise in business dealings with suppliers and other business partners (number 10.2). In addition, the group-wide compliance management system covers other relevant criminal and penal risks, data protection and labour law-related risks such as discrimination.

As part of the compliance management system, the necessary organisational structures are established in consideration of all identified and assessed compliance risks. The responsible departments consistently manage and control the risks within the existing structures.

METRO AG has introduced group-wide standards of conduct to manage the identified compliance risks, including a handbook on antitrust law that provides guidelines on supplier negotiations, among other areas. This handbook also contains templates for antitrust law-compliant communications with suppliers. In addition, METRO AG has introduced group-wide anti-corruption policies outlining standards of conduct for dealings with both authorities and public officials and with business partners. The anti-corruption guidelines also stipulate that a compliance check must be carried out before entering into a business relationship with business partners in high-risk areas.

Compliance guidelines are updated continuously and adjusted in a risk-based manner. These efforts are complemented by compulsory training courses, systematic and target group-orientated communications and the consistent, disciplined handling of compliance incidents and relevant follow-up measures. In addition, METRO GROUP employees, their business partners and customers have access to a professional reporting system which enables them to notify the company of compliance violations and potential violations in all group languages. Where necessary, incidents may be reported anonymously. The compliance organisation ensures that all reported cases are investigated in an appropriate fashion.

By strengthening its internal control system, the company ensures that compliance and governance requirements are being increasingly integrated into its operational business and financial processes and reviewed. In this way we have identified weak controls in expansion, construction and market processes. In response, we are expanding operational controls of our core processes (development of business models, location decisions, procurement and sale of merchandise and services, market processes, expansion, construction) (number 9). We also train our staff, set tolerance limits for excess costs and monitor minimum requirements for specific processes. In addition, we are adjusting our operational monitoring structures, for example by introducing self-assessments and cross-divisional internal controls.

Presentation of the opportunity situation

METRO GROUP has numerous opportunities to ensure long-term positive business developments. Above all, these are due to the fact that we rigorously respond to our private and professional customers' needs. Our key goal is to create added value for our customers. To this end, we tap new sales channels and make use of the opportunities resulting from demographic trends in mature Western European markets as well as from population growth in developing and emerging countries. We analyse global trends and take decisions aimed at systematically exploiting opportunities of the future.

Opportunities from the development of business conditions

Following two years of weakness, the global economy is back in recovery mode. With a view to 2014, we therefore generally expect higher growth rates in all regions where METRO GROUP does business compared with the previous financial year. Our sales and earnings could profit from a further distinct improvement in the business situation. Demand – including for the long term – is rising in countries with growing populations. METRO GROUP does business in many markets where we can benefit from this trend. In addition, we are continuing our selective expansion in the growth regions of Asia and Eastern Europe. In the process, we are focusing on business units and countries where we can build a distinct profile and strong market position. As a result, we plan to expand our activities in China, Russia and Turkey, in particular.

Reductions in red tape can help ease METRO GROUP's entry into new markets. Goods traded between countries of the European Union (EU) which have concluded a free-trade agreement could be shipped custom-free or at reduced custom rates. In our view, ongoing negotiations regarding an agreement to facilitate trade are particularly promising. Imports and exports could be simplified and the costs of cross-border exchanges of goods could be reduced by 10 per cent. We therefore welcome the negotiations of the World Trade Organization (WTO) and trade negotiations with various non-EU countries.

Strategic business opportunities

The METRO GROUP sales lines have high levels of brand equity in the countries where they do business. We have assumed leading positions in many markets. We must further strengthen and expand these. Weaker market participants have withdrawn from the market, especially in countries that were hit particularly hard by the economic and financial crisis. We are working to fill these gaps or, when reasonable, to take over individual locations. Market exits of competitors would create additional opportunities for market share gains. In addition, we see potential in the successful repositioning of national subsidiaries operating in a challenging economic environment (for example Germany, Southern Europe). The transformation and restructuring measures we have already launched aim to improve these companies' market position and boost their profitability.

By optimising sales concepts and modernising stores, we are creating opportunities to win new customer groups. To this end, METRO GROUP continuously provides funds for investment. The company's investment strategy is aimed at protecting and consolidating the competitive strength of all sales brands while addressing customers even better and in an even more targeted manner. Examples include a distinct intensification of our online activities and multichannel business, measures to strengthen our own brands, franchise concepts and investments in innovative sales formats. At the same time, we see substantial opportunities in the expansion of our delivery channel, the tapping of additional professional customer groups in our cash & carry business, and in the sensible dovetailing of stationary and electronic retailing in all sales lines.

Internet sales are an important opportunity for our company's future success. Online retail is experiencing strong growth. We expect this development to continue and project continued competitive momentum both in the stationary business and in Internet retailing over the medium term. As a result, it is imperative for METRO GROUP to further strengthen its Internet sales channel. All our sales lines now have online shops in Germany and many other countries. In the short financial year 2013, we made important strides in our transformation from a purely stationary provider to dovetailed multichannel sales operations with the optimisation of the online shops operated by Media Markt, Saturn, Redcoon, Real and Galeria Kaufhof. Unlike strictly online providers, we thus create real added value for customers. All METRO GROUP sales lines are transforming into multichannel companies with the objective of so-called "no-line retail", that is a maximum integration of market – online – mobile. The dynamic development of information technologies creates opportunities for our company to optimise its own processes and offer its customers new solutions. Our first step in this area is to launch a pilot project to test the extent to which we can deploy an innovation at our company. This approach ensures control over feasibility and security risks as well as risks related to the integration of these innovations into our existing systems. We regard the following trends and technologies as opportunities for our company:

- IT solutions for end consumers can also be used within the company. This development is reflected particularly in the use of mobile devices.
- We are testing the extent to which we can take delivery of computing and storage capacity from external partners over the Internet within the context of cloud computing. Our group company METRO SYSTEMS is providing initial solutions of this type.
- Customers are increasingly using multiple channels to obtain information or purchase goods, including social networks and mobile technologies. We address these topics in a targeted manner, for example through own Facebook pages. In addition, we use smartphone applications and external sales platforms.

Demography offers another tremendous opportunity for METRO GROUP. Aging populations in Western Europe and the growing concentration in economic and cultural centres dominate our customers' current and future needs. Our sales line Galeria Kaufhof has already won several awards for the approach it is taking, of regarding all age groups and to meet the needs of older people. The stores of our sales lines are easy to reach and, as a rule, are located on the ground level. In addition, the outlets offer assistance and products designed to meet the needs of customers from all generations. As a result, we see good opportunities to gain additional market share.

Business performance opportunities

In addition to rigorously leveraging cost-cutting opportunities, we are creating a foundation for long-term success by increasing our productivity, especially through process optimisations. This effort includes a number of projects that we have already initiated and will now systematically continue to pursue. As a result, we will continue to expand our delivery activities and increase the share of high-margin own-brand products in total sales. Should we make more progress in the implementation of further productivity enhancements than we currently expect, this could have a positive impact on our business development.

In addition to cost components, quality and freshness are critical differentiating factors that are particularly relevant for food. By having employees who continuously check and ensure quality, we can gain an edge on our competitors and create customer perception that will have a positive effect on sales and earnings.

Additional opportunities will arise from efforts to cut our greenhouse gas emissions. In this area, we have set a goal with our climate protection target that will indeed require investments, but that will save money in the end by lowering energy costs, in particular. In turn, these savings will create financial and environmental benefits and improvements.

Starting in the next financial year, the operational activities of our real estate company METRO PROPERTIES will be integrated into the sales lines to ensure efficient processes and solid cooperation in the context of METRO GROUP's current transformation. METRO PROPERTIES will focus on the key value drivers in real estate and portfolio management, project development and transactions. METRO PROPERTIES conducts regular benchmarkings with leading real estate companies to ensure the delivery of best-in-class solutions for the group. In addition, the company promotes select project developments which help the sales lines enhance their appeal to customers while raising the value of METRO GROUP's property portfolio. These values are supported by active and intelligent portfolio management. Targeted transactions ensure that risks and opportunities in the property portfolio are balanced carefully. In this way, METRO PROPERTIES makes an important contribution to the strength of METRO GROUP.

Overall assessment of the risk situation by the company's management

The Management Board and the Supervisory Board of METRO AG are regularly informed about the company's risk and opportunities situation. Overall, the risk and opportunities profile of METRO GROUP has improved slightly due to the slow recovery of the global economy during the reporting period. To evaluate the present risk situation, risks and opportunities were not only examined in isolation: the interdependencies between risks were analysed and rated according to their probability. Our assessment shows that the risks are generally manageable and that the identified individual and cumulative risks do not jeopardise the group as a going concern in terms of the risk of illiquidity or over-indebtedness over a reporting period of at least one year. We are confident that METRO GROUP's earnings strength provides a solid foundation for sustained positive business developments and the exploitation of numerous opportunities. This assessment is mirrored by the ratings of the internationally leading, independent rating agencies that we have commissioned: both Moody's and Standard & Poor's have awarded METRO GROUP an investment grade rating with a stable outlook. The Management Board of METRO AG currently does not expect any fundamental change in the risk and opportunities situation.

13. Supplementary and forecast report

Supplementary report

Events after the balance sheet date

Between the balance sheet date (30 September 2013) and the preparation of the consolidated financial statements (5 December 2013), the following events of material importance to an assessment of the earnings, financial and asset position of METRO AG and METRO GROUP occurred:

The EU Commission is currently conducting an antitrust inquiry into the Media-Saturn group of companies in Germany to determine whether any laws have been violated. The inquiry does not mean that any laws were actually violated. It can take a certain period of time until a decision is reached about this issue. As a result, the company is unable to comment on the possible impact of this inquiry on the earnings, financial and asset position of METRO AG and METRO GROUP at this point in time.

Forecast report

The forecast report of METRO GROUP considers relevant facts and events that were known at the time of preparation of the financial statements and that can have an impact on business developments at METRO GROUP.

Economic parameters for 2014

The forecast report on economic parameters is based on the evaluation of leading indicators. In addition, it draws on the analyses of a number of national and international economic research institutes and organisations. The forecast report is based largely on Consensus Economics, Feri EuroRating and the Economist Intelligence Unit (EIU). Fundamentally speaking, the following conclusions reflect a mid-range scenario of expectations.

Future economic situation

During the period under review, the world's economy limped along for the second straight year. The biggest problem was the ongoing sovereign debt and banking crisis in the eurozone. A gradual improvement began as the year progressed. At the same time, several key emerging countries caused a fresh set of concerns. In a reflection of this trend, growth in the three BRIC countries Brazil, Russia and India slowed markedly. By contrast, China has recently shown new signs of growth.

During the new financial year, the recovery in the eurozone will probably continue at a slow pace. Nonetheless, the process of consolidating sovereign debt continues to cloud middle-range prospects. This drawn-out activity will act as a drag on economic growth for years to come. Further setbacks cannot be ruled out. However, the risk that the crisis will take a renewed turn for the worse has eased. For 2014, we foresee moderate growth of 1 per cent.

As the economies of Western European nations slowly recover, prospects for Eastern Europe will brighten as well. The region continues to have a deep reservoir of growth potential. This is also the case in the emerging countries of Asia, which are likely to generate the strongest mid-range growth rates around the world.

Overall, we foresee further strong growth of nearly 3 per cent for the world economy in 2014 – compared with about 2 per cent in the reporting year and 2.4 per cent in 2012. The ultimate course of the economy will be shaped in particular by developments in the European financial crisis and the outcome of the difficult situation faced by emerging countries. As a result of the economy's continuing below-average performance, we do not foresee any inordinate inflationary pressure in 2014.

Germany
During the year under review, the German economy began to gain momentum once again and grew at a rate that outpaced the Western European average. Leading indicators show that Germany's economy is picking up speed, and economic conditions in the country are generally better than those found in most of the other Western European nations. Unemployment has hardly climbed at all during this period of economic weakness. Optimism among business and consumers is improving, and the amount of disposable income available to people is moving in a positive direction. For this reason, we expect a

robust growth rate of 1.5 per cent in 2014, compared with about 0.5 per cent in 2013.

As a result of the positive economic conditions, we project that private consumption will generate a strong real growth rate of 1 per cent in 2014. In the process, retailing should generate a nominal growth rate of about 1.5 per cent. On a price-adjusted basis, this will mean another year of stagnation. As a result, the growth generated by retailing will most likely lag behind that of private consumption.

Compared with other European countries, the German economy is in good shape. It continues to profit from its favourable positioning and its high level of competitiveness.

Western Europe

Despite some signs of recovery, the economies of Western Europe continue to be overshadowed by the sovereign debt crisis. Given these conditions, these economies cannot be expected to generate increased momentum. Further setbacks experienced as part of the budget consolidation process cannot be ruled out. As a result, these economies will continue to feel a strong headwind. For the Western European economic region as a whole, we foresee slight growth of 1 per cent in 2014. In the process, the periphery countries being hit hard by the sovereign debt crisis and the more robust core countries will continue to move in different directions. In 2014, we generally expect to see the economies of the crisis countries of Italy, Portugal and Spain stabilise. This should also be the case in the Netherlands. For most of the other countries of Western Europe, we expect that growth will total slightly above 1 per cent.

For retailers, short-term business conditions will remain tough. The main causes of this situation are austerity measures and record unemployment rate in many countries. For this reason, we foresee, on average, only a small increase. On a price-adjusted basis, however, this will result in another drop in retail sales. In light of the very modest rise in demand, inflation is expected to remain within the corridor of 2 per cent laid down by the European Central Bank. Food prices are likely to settle down following a sharp rise in the reporting year.

Eastern Europe

The gradual economic recovery in Western Europe will arrive somewhat later in Eastern Europe due to economic integration. Nonetheless, the economies of Eastern Europe are still not achieving their full growth potential.

We expect that the gross domestic product (GDP) of the entire region will climb by a real rate of 2 per cent in 2014, compared with an average rate of about 1 per cent in 2013. As a result, growth will remain below the rates produced in the pre-crisis years. Just like Asia, the region continues to have great economic potential. For this reason, we think that Eastern Europe will generate stronger economic growth over the medium term.

Overall, Eastern Europe is a heterogeneous economic region. Among major economies in Eastern Europe, Turkey is most likely to produce the highest growth rate in 2014 – 4 per cent. This growth should be produced in spite of certain risks arising from the country's high current account deficit and the devaluation of the Turkish lira that is related to this development. GDP growth of more than 2 per cent can be expected to be produced in particular by Russia, Poland and Slovakia. The growth rates for Bulgaria, Romania and Ukraine should be around 2 per cent. With an expected rate of less than 2 per cent, the growth generated by Hungary and the Czech Republic should lag behind other countries for another year. Hungary – with the exception of Greece – continues to have the highest level of sovereign debt as a percentage of GDP. The economy of Greece is expected to contract for the seventh consecutive year.

Consumer demand in Eastern Europe continues to grow faster than the overall economy. For 2014, we expect that private consumption can rise somewhat higher than the overall economy will. We expect to see Russia and Turkey generate the highest nominal growth in retailing. Sales growth generated in these countries is expected to reach low double-digit levels, just as it did during the reporting year. This will partially be the result of inflation, which continues to be higher in Eastern Europe than in Western Europe: in 2014, consumer prices should rise at a rate in the middle single-digit range.

Asia/Africa

In the emerging countries of Asia, we expect to see increased economic momentum in the new financial year following a substantial slowdown in the reporting year. But there are still some uncertainties attached to these expectations. High current account deficits, particularly in India, and sharp devaluations of national currencies are weighing down national economies in the region. However, we assume that this is just a temporary phase of weakness. Following economic growth of nearly 5 per cent in the reporting year, we expect the emerging countries of Asia to produce growth rates of more than 5 per cent in 2014.

China should once again generate the highest growth, a rate of more than 7 per cent. Growth in the other emerging countries is likely to rise at a rate in the middle single-digit range. During the reporting year, Japan has fuelled growth by injecting massive amounts of government support into the economy. For this reason, GDP growth there is expected to slow somewhat during the coming year. Over the medium term, the country will still have to wrestle with its massive government debt, which will continue to expand as a result of the efforts undertaken in 2013.

In Egypt, economic expectations for next year remain muted as a result of the country's ongoing political crisis.

Private consumption in the emerging countries of Asia should grow at roughly the same rate as the overall economy. For retailing, we project nominal double-digit growth rates once again during 2014 for China, India and Vietnam. The rise is also inflation-driven: consumer prices are rising at a high rate in emerging countries due to current account deficits and currency devaluations. In the saturated Japanese market, a slight rise in retailing is foreseen following a period of stagnation during the reporting year.

Building on our forecast for economic and retail sector developments, the following section provides an overview of the resulting implications for individual sectors as well as our sales lines.

Future sector trends and developments at METRO GROUP

METRO Cash & Carry

The slow and uneven recovery being experienced by the world's economy is having a major impact on the performance of the cash & carry business. In recent years, the industry's performance in regions and individual economic areas has varied. This trend will continue. We assume that these inconsistent economic activities will continue to be reflected in the performance of the cash & carry segment.

In Germany and Western Europe, the initial positive impulses being generated by the economic recovery will not be enough to significantly fuel demand. This will particularly be the case in Southern European countries that are bearing the brunt of the euro crisis. For food products, demand should remain at about its previous level. Further price increases could have a positive impact on sales. Inflation related to food prices will probably fall below the 2013 level. For non-food products, we expect to see a continuation of the negative trend in those countries with weak economies during the upcoming reporting period. In other countries, we believe demand will remain nearly stable. Overall, we expect sales in the cash & carry business to remain stable in Western Europe during the next financial year.

In Eastern Europe, we expect the positive trends in the cash & carry segment to continue. As a result, we assume that economic momentum will be moderate and that this trend should be supported by inflation during the next year. Furthermore, the increased demand foreseen particularly in Russia and Turkey should have a positive impact. Given the continuing spread of modern retail industry formats in many Eastern European countries, we assume that the growth of the cash & carry segment will lag behind the rates produced by modern, store-based food retailers.

We expect to see the largest cash & carry growth rates produced in the coming year by the emerging countries of Asia. The macroeconomic growth continues to form a good basis for a dynamic retailing performance. We believe that the growth rates in the cash & carry segment will continue to outpace those of modern grocery retailing. In spite of the gradual easing of the ban on direct investments in India made by international retail companies, competition remains largely weak there. Traditional retailers, an important customer group for self-service wholesale trade, continue to act as the most critical supply channel for food in large parts of the region. For this reason, they have tremendous potential for the cash & carry segment.

METRO Cash & Carry will press forward with its strategic expansion in the coming year. The focus will remain on the growth regions of Asia and Eastern Europe.

Media-Saturn

Compared with other retail sectors, consumer electronics retailing is much more cyclical. This is particularly the case with durable consumer goods. Because economic conditions in Europe are expected to differ widely during the next financial year, the divergent regional trends in consumer electronics retailing will continue.

In Germany, we expect the consumer electronics market, supported by a rebounding economy, to perform better in 2014 than it did in 2013. As we have seen in the past, we expect additional business momentum to be produced by the Winter Olympics and the World Cup football championship. These events should affect television sales in particular. At the same time, demand for tablets and smartphones should remain at a high level in response to customers' strong interest in these products. But the speed of growth in these product groups should gradually slow.

In Western Europe, the sector will continue to be impacted by the difficult economic conditions being experienced by many countries during the coming year. In particular, we believe that the market trends will remain rather weak in the crisis countries of Southern Europe. We expect that the bottom for the consumer electronics market in these countries will be gradually reached over the course of 2014. On the other hand, we expect sales generated in the remaining Western European countries to be stable or positive in 2013 and 2014. Just like in Germany, both major sporting events scheduled for 2014 should have a positive impact on the sector in the region.

In Eastern Europe, we also foresee uneven, but positive trends in consumer electronics retailing for 2013 and 2014. For Russia and Turkey, we expect to see continued growth in the sector. Momentum will be generated in both countries by continued efforts to tap these markets' additional potential. In Russia, we also expect that the Winter Olympics in Sochi will produce a surge in demand during 2014. Business activities will be more subdued in other Eastern European countries. The situation in Greece remains difficult, with the sector expected to contract once again.

Online sales will continue to grow in all regions and gain market share at the expense of stationary consumer electronics stores. Multichannel providers like Media Markt and Saturn will profit from this trend by optimally combining the strengths of both sales channels. In future, Media Markt and Saturn will more closely integrate online and stationary retailing as a way of bolstering their market position.

Real

During the ongoing eurozone crisis, the food retailing business grew in Germany during the reporting year, largely as a result of price increases. But sales volume remained constant. For the next financial year, we do indeed foresee a continuation of the economic recovery. But it should be remembered that the food-retailing business is less cyclical than other retail sectors. For this reason, we expect the improving economy will provide only a slight boost to the sector. In light of this development, industry sales will probably rise once again primarily in price-adjusted terms. This increase will most likely be below the previous year's level. Given the record level of these prices in the reporting year 2013, food prices should grow at a slower pace.

Galeria Kaufhof

The brightening economic picture in Germany will also create positive business conditions for the department store segment. For 2014, we do indeed believe that the department store segment will trail behind the retail industry as a whole for another year. But Galeria Kaufhof, acting as the concept and system leader in the department store business, will profit from the positive business conditions. This performance will be supported by our multichannel marketing strategy, an effort that combines the continued expansion of our online business with the increasing integration of this business into our stationary stores. Non-food retailers who continue to do business exclusively in stationary stores will come under increasing pressure in future and lose additional sales. As a multichannel provider, Galeria Kaufhof will outperform its competitors in years to come.

Expected earnings position: outlook for METRO GROUP and its segments

Change of the financial year and segment reporting
In response to a decision made by the Annual General Meeting on 23 May 2012, we changed our financial year. As a result, the financial year no longer reflects the calendar year. It now runs from 1 October to 30 September of the following calendar year.

Also effective 1 October 2013, we dissolved our Real Estate segment and will report the segment-relevant information in the segments of the sales lines or in the "others" segment.

All of the following comparisons are based on
— the financial year 2013/14 with the corresponding pro forma period for the previous year (1 October 2012 to 30 September 2013) as well as on
— the new segment reporting system, that is, excluding the Real Estate segment

Portfolio changes
It is possible to compare the financial year 2013/14 with the same period in the previous year only to a limited extent due to portfolio actions taken or announced in 2012/13.

This applies in particular to the divestment of Real's activities in Eastern Europe (excluding Turkey), an action that was contractually agreed on, but that was spread out throughout 2013 because the respective anti trust authorities issued their approvals gradually.

Expected sales development at METRO GROUP in 2013/14
For the financial year 2013/14, we expect to see a slight rise in overall sales – even though economic momentum will remain below average and adjusted for implemented and announced portfolio measures. We used virtually unchanged exchange rates in preparing this forecast.

In like-for-like sales, we expect to see a trend improvement following the previous year's level of –1.3 per cent and a level of sales that will roughly equal the previous year's level.

Expected earnings development at METRO GROUP in 2013/14
Earnings during the financial year 2013/14 will also be shaped by the below-average pace of the economy. As a result, we will continue to closely focus on efficient structures and strict cost management in 2013/14.

The announced changes in the real estate strategy will impact earnings. Last year, EBIT before special items of €2,000 million contained income from real estate sales that exceeded typical levels. In addition, the comparative base is reduced by the positive contributions from the divestment of Real's business in Eastern Europe. Adjusted for these effects totalling about €300 million, the comparative level from the previous year is €1.7 billion. We intend to markedly exceed this level in the financial year 2013/14. We used virtually unchanged exchange rates in preparing this forecast.

Expected sales development of the segments of METRO GROUP in 2013/14
In our forecast for the segments, we are applying the previously discussed expectations regarding general economic conditions and specific sector trends.

At our sales lines METRO Cash & Carry and Media-Saturn, we expect to see a slight increase in sales. Like-for-like sales should remain at roughly the same level as in the previous year, just as they should for METRO GROUP as a whole. At Real Germany and Galeria Kaufhof, we expect like-for-like sales to stay at last year's level. Overall sales growth at Real Germany will lag slightly behind like-for-like sales growth due to the streamlining of the store network. At Galeria Kaufhof, this metric will be roughly equal to like-for-like sales growth due to lack of expansion.

We used virtually unchanged exchange rates in preparing this forecast.

Expected EBIT development of the segments of METRO GROUP in 2013/14
EBIT before special items will be shaped in large part by METRO Cash & Carry and Media-Saturn during the financial year 2013/14. Earnings at Media-Saturn should rise sharply. At METRO Cash & Carry, Real and Galeria Kaufhof, we expect to see a slight rise in earnings following adjustments for the unusually large amounts of income generated by real estate sales (at METRO Cash & Carry and Galeria Kaufhof) as well as for positive earnings contributions from the divestment of Real's business in Eastern Europe.

We used virtually unchanged exchange rates in preparing this forecast.

Overall statement by the Management Board of METRO AG on the mid-range course of METRO GROUP

Looking ahead to coming financial years, our goal is to continue increasing the sales and earnings of METRO GROUP. We will continue to sustainably expand METRO GROUP's position as one of the leading international retail and wholesale companies. In this effort, our multichannel and delivery business offers tremendous growth potential.

We have a successful portfolio of sales lines and countries, qualified employees and a corporate culture that places an emphasis on individual responsibility and entrepreneurial action. For this reason, we feel that METRO GROUP is well positioned for the future.

14. Supplementary notes for METRO AG (pursuant to the German Commercial Code)

Overview of the short financial year 2013 and forecast of METRO AG

As the management holding company of METRO GROUP, METRO AG is highly dependent on the development of METRO GROUP in terms of its own business developments, position and potential development with its key opportunities and risks.

In light of the holding structure, the most important performance metric for METRO AG in terms of GAS 20 is commercial net income – contrary to the case for the group as a whole.

Business development of METRO AG

Business developments of METRO AG are primarily characterised by the development and dividend distributions of its investments. METRO AG's annual financial statements prepared under German commercial law serve as the basis for dividend distribution. The income statement and balance sheet of METRO AG prepared in accordance with the German Commercial Code (HGB) are outlined below. The results as of the closing date of 30 September 2013 are compared with the previous year's annual financial statements as of 31 December 2012.

Earnings position of METRO AG and profit appropriation

Income statement for the short financial year from 1 January to 30 September 2013 prepared under the German Commercial Code (HGB)

€ million	12M 2012	9M 2013
Investment result	783	**347**
Net financial result	–124	**–101**
Other operating income	559	**389**
Personnel expenses	–147	**–89**
Depreciation/amortisation/impairment losses on intangible and tangible assets	–54	**–26**
Other operating expenses	–483	**–296**
Result from ordinary operations	**534**	**224**
Income taxes	–34	**0**
Other taxes	–2	**1**
Net income	**498**	**225**
Profit carried forward from the previous year	21	**22**
Additions to reserves retained from earnings	–170	**–110**
Balance sheet profit	**349**	**137**

For the short financial year, METRO AG posted investment income of €347 million, compared with €783 million in the previous year. The financial result for the nine-month reporting period is materially impacted by the absence of earnings contributions from the Christmas and end-of-year business.

Income from investments without profit and loss transfer agreements totalling €478 million (12M 2012: €476 million) also indirectly includes losses incurred by the domestic activities of the METRO Cash & Carry and Real sales lines during the short financial year aside from income absorption from foreign cash & carry companies during previous years and during the short financial year. In addition, this position contains profits from the sale of the Real sales line's Eastern European business. The previous year's figure included expenditures related to Media Markt's withdrawal from China.

Income from investments without profit and loss transfer agreements totalling €147 million (12M 2012: €589 million) essentially stems from disbursement from group service organisations as well as METRO AG's indirect participations in foreign cash & carry companies.

In the short financial year 2013, losses of €138 million (12M 2012: €25 million) were assumed on the basis of profit and loss transfer agreements. These losses stemmed from the business activities of the Galeria Kaufhof sales line as well as from the group real estate service companies during the short financial year.

Of impairments for investments in associates, €75 million can be attributed to international cash & carry activities and €65 million to the international food retail business.

The financial result amounted to €–101 million (12M 2012: €–124 million).

Under the transfer pricing system, METRO AG acts as a franchisor to the METRO Cash & Carry sales line. Services provided essentially include the provision and continued development of business concepts, software applications and holding services. In order to be able to render these services, the company acquires IT services from METRO SYSTEMS GmbH, in particular, which lead to higher other expenses and write-downs. Services are billed at arm's-length prices. During the short financial year 2013, METRO AG billed the national and international operating companies of the METRO Cash & Carry sales line a franchise fee totalling €222 million (12M 2012: €374 million). The franchise fee itself represents a portion of the sales and earnings of the operating company calculated on the basis of the degree of service utilisation. During the short financial year, these franchise fees billed to subsidiaries declined compared with the previous year's level as a result of the shorter billing period as well as the absence of the sales and earnings contribution of the Christmas and end-of-year business.

Income from administrative services for subsidiaries rose because a larger volume of costs stemming from central functions and projects incurred by METRO AG were billed to the sales lines during the reporting period.

Other operating income, other operating expenses and depreciation/amortisation on intangible and tangible assets of METRO AG resulted in an increase in earnings from €45 million in the previous year to €67 million as of the closing date.

On average during the three quarters of the short financial year 2013, METRO AG employed 940 people (12M 2012: 970 employees). Part-time employees and temporary workers were converted into full-time equivalents. Personnel expenses amounted to €89 million (12M 2012: €147 million). In addition to the effects from the shorter reporting period of the short financial year, lower severance payments led to a decline in personnel expenses.

Net income amounted to about €225 million (12M 2012: €498 million), slightly above the guidance for the short financial year 2013 provided at the beginning of the reporting period.

With €110 million having been transferred to revenue reserves, the balance sheet profit of the company amounted to €137 million compared with €349 million in 2012.

The Management Board of METRO AG will propose to the Annual General Meeting that the complete reported balance sheet profit of €137 million be added to other reserves retained from earnings.

Financial position of METRO AG

Cash flows

During the reporting year, cash flows resulted primarily from financial transactions with METRO GROUP companies. Short-term monetary investments provided by the sales lines at the end of the financial year amounted to €739 million as of the closing date (12M 2012: €2,088 million). The decrease compared with the previous year primarily resulted from the fact that the previous year's figure as of 31 December 2012 included earnings from the high-volume Christmas and end-of-year business.

Capital structure

Equity and liabilities

€ million	31/12/2012	30/9/2013
Equity		
Share capital	835	**835**
Ordinary shares	828	**828**
Preference shares	7	**7**
(Contingent capital)	(128)	**(128)**
Capital reserve	2,558	**2,558**
Reserves retained from earnings	2,146	**2,256**
Balance sheet profit	349	**137**
	5,888	**5,786**
Provisions	**375**	**326**
Liabilities	**6,918**	**4,948**
Deferred income	**7**	**6**
	13,188	**11,066**

Liabilities consisted of equity at €5,786 million (12M 2012: €5,888 million) and provisions, liabilities and deferred income at €5,280 million (12M 2012: €7,300 million). As of the closing date, the equity ratio amounted to 52.3 per cent compared with 44.6 per cent in the previous year. Provisions as of the reporting date totalled €326 million (12M 2012: €375 million). Liabilities from bonds decreased by €205 million to €2,881 million. Liabilities to banks increased slightly to €465 million (12M 2012: €425 million). Liabilities to associates declined to €1,491 million (12M 2012: €3,156 million). This decline was primarily due to the fact that the sales lines provided fewer short-term funds. As of the closing date, other liabilities stood at €97 million, that is €146 million below the previous year's level of €243 million.

Asset position of METRO AG

Assets

€ million	31/12/2012	30/9/2013
Fixed assets		
Intangible assets	41	**18**
Tangible assets	3	**2**
Financial assets	8,552	**8,375**
	8,596	**8,395**
Current assets		
Receivables and other assets	2,488	**1,919**
Cash on hand, bank deposits and cheques	2,088	**739**
	4,576	**2,658**
Prepaid expenses and deferred charges	**16**	**13**
	13,188	**11,066**

As of the closing date, assets totalled €11,066 million and were comprised mostly of financial investments in the amount of €8,375 million, receivables from associates at €1,577 million and bank deposits at €739 million. Financial investments declined by €177 million compared with the previous year and now account for 75.7 per cent of total assets. The overall decline resulted from impairment losses for investments in associates totalling €140 million In addition, long-term intra-group loans declined by €90 million. Receivables from associates decreased by €515 million compared with the previous year – this item reflects the group companies' short-term financing requirements as of the closing date and represents 14.3 per cent of total assets.

The item "cash on hand, bank deposits and cheques" fell by €1,349 million to €739 million compared with the previous year. This decline was primarily due to the fact that the sales lines provided fewer short-term funds. It is also important to note that the previous year's figure includes a large share of the high-volume sales days from the Christmas and end-of-year-business.

Risk situation of METRO AG

As METRO AG is closely engaged with the companies of METRO GROUP through financing and guarantee commitments as well as direct and indirect investments, among other things, the risk situation of METRO AG is highly dependent on the risk situation of METRO GROUP. As a result, the summary of the risk situation of METRO AG issued by the company's management also reflects the risk situation of METRO AG.

Forecast of METRO AG

The business development of METRO AG as the holding company essentially depends on the development and dividend distributions of its investments. Assuming a positive development of the participating sales lines, the company expects an increase in franchise fees from its function as franchisor. Assuming an investment result based on a future twelve-month period including the Christmas and end-of-year business, and a stable financial result as well as largely unchanged cost structures, we project to at least return to the earnings level of past financial years for the financial year 2013/14. This will allow us to pay an appropriate dividend.

Planned investments of METRO AG

In the context of METRO GROUP's investment activities, METRO AG will support group companies with increases in shareholdings or loans, where necessary. In addition, investments in shareholdings in associates may result from intra-group share transfers.

Declaration on corporate management

The declaration on corporate management pursuant to § 289 a of the German Commercial Code (HGB) is available on the company's website (www.metrogroup.de) in the section Company – Corporate Governance.

Declaration of compliance pursuant to § 312 of the German Stock Corporation Act (AktG)

Pursuant to § 312 of the German Stock Corporation Act (AktG), the Management Board of METRO AG prepared a report about relations with associates for the financial year 2013. At the end of the report, the Management Board made the following statement:

"The Management Board of METRO AG declares that the company, in accordance with all known circumstances at the time at which legal transactions were made or measures taken, received an adequate quid pro quo for each legal transaction and was not put at a disadvantage through the implementation of such measures. No other actions requiring reporting applied during the financial year."