GROUP MANAGEMENT REPORT

Overview of the financial year 2012 and forecast

Sales of METRO GROUP rose by 1.2 percent. EBIT before special items totalled €1,976 million (previous year: €2,372 million).

Earnings position

— Sales of METRO GROUP increased by 1.2 percent to €66.7 billion in 2012 (in local currencies: +0.8 percent)
— International sales rose by 1.6 percent (in local currencies: +0.8 percent)
— Sales in Germany increased by 0.6 percent
— Group EBIT before special items reached €2.0 billion (previous year: €2.4 billion)
— Profit for the period totalled €101 million (previous year: €741 million) and included special items totalling €615 million (previous year: €238 million)
— Earnings per share before special items amounted to €1.89 compared with €2.63 in the previous year

Financial and asset position

— Investments declined by €0.7 billion to €1.4 billion
— Net debt decreased by €0.8 billion to €3.2 billion
— Long-term rating of BBB– (Standard & Poor's) and Baa3 (Moody's)
— Cash flow from continuing operations increased by €0.2 billion to €2.3 billion
— Total assets amounted to €34.8 billion, an increase of €0.8 billion compared with the previous year
— At €6.1 billion, equity was 5.2 percent lower than in the previous year; the equity ratio decreased by 1.4 percentage points to 17.5 percent

Forecast of METRO GROUP

Sales

In spite of persistently difficult business conditions, we expect to generate moderate growth in sales (adjusted for portfolio changes) in the short financial year 2013. In the subsequent financial year 2013/14, we expect to see this moderate growth in sales continue compared with the respective period for the previous year. These projections are based on the assumption of virtually unchanged exchange rates.

Earnings

In the short financial year 2013, earnings trends will be affected by continued economic uncertainties. As a result, we will continue to intensely focus on efficient structures and strict cost controls in 2013 and the following years.

In the short financial year 2013, we expect EBIT before special items to be slightly higher than in the respective period of the previous year (€704 million). This forecast is based on the assumption of higher income from the sale of real estate assets compared to last year's period. Due partly to the lack of major sports events, we expect the Group's operative performance to slightly lag that of the first 9 months of 2012.

Barring a sustained deterioration of the economic environment, we project an increase in EBIT before special items for the financial year 2013/14 compared with the respective period of the previous year.

1. Group structure

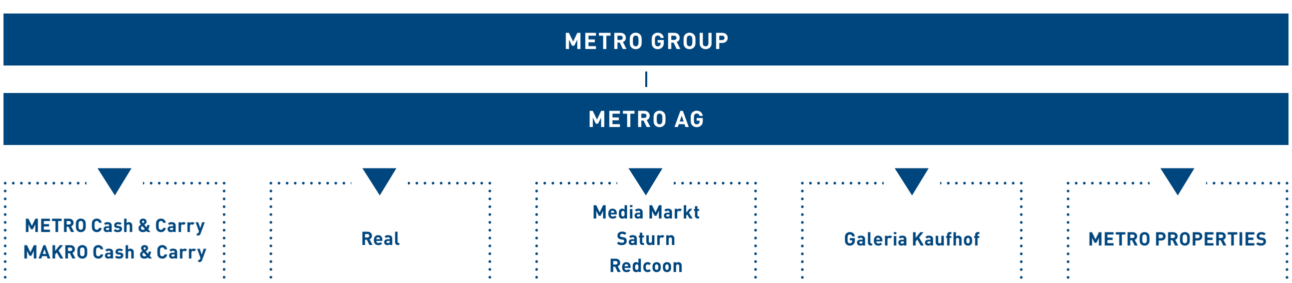
METRO GROUP's corporate structure is characterised by a clear division of responsibilities. The Company is headed by METRO AG. As a central management holding company, it oversees Group management functions, including, in particular, Finance, Controlling, Legal and Compliance. In addition, METRO AG oversees the management and administrative functions of METRO Cash & Carry, which we reorganised during the reporting year. The 2 previous business units "Europe/MENA" and "Asia/CIS/New Markets" have been brought together effective 1 April 2012. Since then METRO Cash & Carry has been managed by a single General Management with global responsibility.

The Group's operational business is handled by our 4 sales lines. With the exception of METRO Cash & Carry, they have their own management organisations and head offices. 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. The Group's cash & carry business is bundled in METRO Cash & Carry, hypermarkets in Real, consumer electronics retailing in Media-Saturn and department stores in Galeria Kaufhof. All sales lines have undivided responsibility for their entire supply chain – from procurement through logistics to stationary and online sales.

We have bundled our real estate capabilities, structures and functions in a company called METRO PROPERTIES, which oversees our Company's real estate portfolio in 29 countries. This company continues to act as an independent profit centre and is shown as a separate segment.

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 strategic management holding company, 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. 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.

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. METRO GROUP plans to divest of the sales line's Eastern European business in 2013. An agreement to this effect was signed in 2012 with the French Auchan retail group. All Real stores are characterised by a large proportion of high-quality fresh produce, a wide range of nonfood articles and attractive prices offering good value for money.

Media-Saturn is Europe's No. 1 in consumer electronics retailing. The sales line is represented in 16 different countries through its Media Markt and Saturn sales brands. In nearly all markets, the stationary business is closely dovetailed with the online offering. The pure play online retailer Redcoon, which is also part of Media-Saturn, sells its products in 10 countries. A decentralised organisational structure, attractive offers, dedicated employees and innovative marketing all contribute to the success of the sales line.

Galeria Kaufhof is one of Europe's leading department store operators. 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 as well as an event-orientated product presentation that provides for a special customer experience. Galeria Kaufhof is positioned as a modern retail brand with an unmistakable profile.

Real Estate: METRO PROPERTIES is METRO GROUP's real estate company. The company's aim is to add long-term value to METRO GROUP's portfolio of real estate assets through active portfolio management. Aside from investing activities, its services include the development, construction and management of retail properties. In addition, METRO PROPERTIES handles energy management for all METRO GROUP locations.

Portfolio of locations by country and segment

	METRO Cash & Carry		Real		Media-Saturn		Galeria Kaufhof		METRO GROUP	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Germany	**107**	**107**	**316**	**312**	**389**	**404**	**125**	**122**	**937**	**945**
Austria	12	12			44	47			56	59
Belgium	11	12			21	22	15	15	47	49
Denmark	5	5							5	5
France	92	93							92	93
Italy	48	49			110	115			158	164
Luxembourg					2	2			2	2
Netherlands	17	17			38	41			55	58
Portugal	11	10			10	9			21	19
Spain	34	37			68	73			102	110
Sweden					24	28			24	28
Switzerland					27	27			27	27
United Kingdom	30	0							30	0
Western Europe (excl. Germany)	**260**	**235**			**344**	**364**	**15**	**15**	**619**	**614**
Bulgaria	14	14							14	14
Croatia	7	7							7	7
Czech Republic	13	13							13	13
Greece	9	9			10	10			19	19
Hungary	13	13			21	21			34	34
Kazakhstan	6	8							6	8
Moldova	3	3							3	3
Poland	39	41	54	53	61	63			154	157
Romania	32	32	25	24					57	56
Russia	62	68	18	18	36	45			116	131
Serbia	9	10							9	10
Slovakia	6	6							6	6
Turkey	24	27	12	12	25	28			61	67
Ukraine	31	33	1	2					32	35
Eastern Europe	**268**	**284**	**110**	**109**	**153**	**167**			**531**	**560**
China	52	64			7	7			59	71
Egypt	2	2							2	2
India	9	14							9	14
Japan	9	9							9	9
Pakistan	5	9							5	9
Vietnam	16	19							16	19
Asia/Africa	**93**	**117**			**7**	**7**			**100**	**124**
International	**621**	**636**	**110**	**109**	**504**	**538**	**15**	**15**	**1,250**	**1,298**
METRO GROUP	**728**	**743**	**426**	**421**	**893**	**942**	**140**	**137**	**2,187**	**2,243**

2. Economic parameters

The world's economy was very weak in 2012. The economic downturn that began in the 2nd half of the previous year continued during the year under review. In many countries, the slowdown grew even worse as the year progressed. Overall, global economic output rose just 2.3 percent (previous year: 2.7 percent). The biggest drag on the economy was exerted by the crisis of sovereign debt and confidence in the eurozone: the precarious position of government budgets in several industrial countries acted as a continuous source of uncertainty on financial markets and slowed the investment activities of companies in the process. As a result, several countries in Western and Eastern Europe fell into recession or teetered on the brink of one during the reporting year.

The weak economy, combined with funding cuts initiated to stabilise government budgets, hurt the amount of income available to consumers and buying power. At the same time, unemployment in the European Union hit a record high, rising from an average of 9.6 percent in 2011 to 10.7 percent at the end of the reporting year. Consumer confidence fell in many countries as a result – from an already low level.

Overall, these developments also dampened economic development in the emerging countries of the world. Asian markets felt this slowdown as well, even if the region did manage to produce the strongest growth of all economic centres once again in 2012. But the emerging countries of Asia were unable to offset the weak economic performance of the world's industrial countries.

In spite of the continuing downturn in the world's economy, consumer prices produced relatively high gains once again in 2012. The driving force behind this increase was the renewed rise in the prices of energy and food, even though they did not hit the record levels seen at the beginning of 2011. In the wake of this high level, the increase of consumer prices eased only slightly during the reporting year. Overall, the inflation rate did finish the year below the level of the previous year. But in many countries, food prices climbed even higher in 2012 than they did in 2011. In emerging countries, where a large share of disposable income is used to buy food, this development posed a major problem for consumers.

Consumer goods retailing hurt again

The challenging economic parameters and the high unemployment rate created problems for consumer goods retailing in 2012 as well. In the process, government spending cuts and tax rises – including the increase of the value added tax in the Netherlands and Spain – siphoned off disposable income. Altogether, these factors lowered consumers' confidence and caused them to cut back on their spending.

In Western Europe, retailing continued to slow as the year progressed. In nominal terms, retail stagnated. Adjusted for price increases, shoppers bought even fewer consumer goods in 2012 than they did in 2011. In Eastern Europe, the sector's results in the reporting year finished below those of 2011. Overall, the region was able to produce solid growth, even though these rates were well below those produced during pre-crisis years. The strongest growth continued to be produced by the emerging countries of Asia.

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

	2011	2012
Asia	3.9	**4.0**
World	2.7	**2.3**
Eastern Europe	3.7	**1.8**
Germany	3.0	**0.7**
Western Europe (excl. Germany)	1.1	**–0.4**

Source: FERI

Germany

In 2012, Germany was unable to escape from the grip of Europe's sovereign debt crisis. Problems were created primarily by adjustments made in the eurozone and the uncertainties arising from them. Overall, however, the German economy was stable during the reporting year.

After producing relatively solid growth in the 1st half of the year, the German economy slowed measurably in the 2nd half. In the 4th quarter of 2012, it even contracted. As a result, economic growth in the reporting year amounted to only 0.7 percent (previous year: 3.0 percent). In the wake of this development, signs of weakness also appeared in the labour market. Consumer confidence remained stable in the 1st half of the year, but then the mood darkened. Disposable income did well, rising more than 2 percent in the reporting year. Private consumption grew by 0.7 percent in real terms – a relatively positive outcome, given that a rise in consumer spending in Germany generally lags behind macroeconomic growth. The German retail sector also produced just under 2 percent growth in nominal terms. Because prices also rose at similar levels, this result simply meant another year of stagnation.

Western Europe

In Western Europe, the downturn that began in 2011 continued throughout the reporting year. It grew even worse in the 2nd half of the year. The sovereign debt crisis remained one of the main problems in 2012. No country in Western Europe was able to avoid being caught up in the slowdown. Nonetheless, the economic gap separating the crisis-battered periphery countries and the more robust core countries persisted. In addition to Germany, only Austria, Sweden and Switzerland reported economic growth – even if the rise was only a small one. In addition to the crisis countries Italy, Portugal and Spain, the economic chill was also felt in Denmark and the Netherlands.

The frail economy, government budget consolidation efforts and the rise in unemployment to record levels hurt consumer confidence in Western Europe. At the same time, consumer prices rose at above-average rates in 2012 as raw material prices for energy and food remained high. In comparison with 2011, however, price increases slowed slightly. Overall, private consumption in Western Europe was weak. In addition to Germany, a rise in consumer demand was seen only in the Scandinavian countries Denmark and Sweden as well as in Austria and Switzerland. In comparison with private consumption, retailing grew at below-average rates for another year. In real terms, retail sales in Western Europe fell by about 1 percent.

Eastern Europe

The economy of Eastern Europe cooled markedly during the reporting year. The weak performance in Western Europe had a strong impact on the countries of Eastern Europe – but to differing degrees. While Russia produced solid growth rates, economic momentum in Turkey and Poland slowed significantly as the reporting year progressed. After Turkey generated more than 8 percent growth in 2011 and Poland achieved over 4 percent growth in the same year, both countries managed to produce a rate of only slightly more than 2 percent in the reporting year. The Bulgarian and Romanian economies each produced growth of less than 1 percent in 2012. The economies of the Czech Republic and Hungary even contracted during the year. This was a direct result of the weakening demand in Western Europe for products and services that grew out of the sovereign debt crisis. Greece continued to experience the most pressing problems: the country's economy shrank for the 5th consecutive year.

Just like the region's economies, the momentum produced by the retailing industry varied widely. In particular, Russia, Turkey and Ukraine generated good retailing results. But the growth created in 2012 was below the level achieved in the previous year. The retail sector was weak especially in Bulgaria and the Czech Republic. Retailing continued to contract in Greece.

Asia/Africa

Despite the slowdown in the global economy, weakening demand from industrial countries and a drop in direct investments, the emerging countries of Asia generated the highest growth rates once again during the reporting year. But economic momentum did slow considerably in this region as well. Compared with the industrial nations of the West, however, the economies of Asia's emerging countries were in good shape overall. The level of debt carried by the public sector and private households was low. In addition, the region's banking sector is not so closely tied to international financial markets and has been only slightly affected by the sovereign debt crisis in Europe.

Special situations existed in Egypt and Japan during the reporting year: in Egypt, the economy remained subdued in the wake of the country's political upheaval. As Japan began the year, its economy was fuelled by rebuilding investments being made in the aftermath of the earthquake and reactor disasters in March 2011. In the 2nd half of the year, though, growth slowed measurably.

The economic slowdown in Asian countries also affected demand among private consumers. In 2012, however, Asia generated the highest growth in retailing of all regions where METRO GROUP does business. Once again, the pacesetters were China – with continued double-digit growth in retail – and India.

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

	2011	2012
China	9.3	**7.8**
Kazakhstan	7.5	**5.6**
Vietnam	5.9	**4.9**
India	7.0	**4.7**
Pakistan	3.0	**4.2**
Russia	4.3	**3.4**
Moldava	6.4	**3.3**
Turkey	8.5	**2.5**
Poland	4.3	**2.2**
Egypt	1.8	**2.2**
Slovakia	3.2	**2.2**
Japan	–0.5	**2.0**
Sweden	3.7	**1.3**
Switzerland	1.9	**1.0**
Germany	3.0	**0.7**
Ukraine	5.2	**0.7**
Austria	2.7	**0.6**
Bulgaria	1.7	**0.6**
Romania	2.5	**0.4**
Luxembourg	1.5	**0.1**
France	1.7	**0.1**
United Kingdom	0.9	**0.0**
Belgium	1.8	**–0.1**
Denmark	1.1	**–0.4**
Netherlands	1.1	**–0.7**
Czech Republic	1.9	**–1.0**
Spain	0.4	**–1.4**
Hungary	1.6	**–1.4**
Croatia	–0.0	**–1.8**
Italy	0.6	**–2.0**
Serbia	1.6	**–2.2**
Portugal	–1.6	**–2.9**
Greece	–7.1	**–5.8**

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

In terms of sales and internationalisation, the METRO Cash & Carry sales line remains the leading international player in self-service wholesale.

In 2012, sales generated by the cash & carry segment in Germany were well below their previous year's level. Overall, the cash & carry segment performed worse than food retailing did. METRO Cash & Carry remains clearly leading in the cash & carry segment in Germany. Nonetheless, the sales line's market share continued to fall there during 2012.

In Western Europe, sales generated by the cash & carry segment finished in 2012 at roughly the same level of the previous year. The performance of the cash & carry segment varied widely from country to country. In particular, sales dropped in the eurozone's crisis countries as they bore the brunt of weak economic conditions. Compared with modern food retailing, the cash & carry business generated weak results.

In Eastern Europe, sales generated by the cash & carry segment continued to rise. Once again, positive price effects fuelled growth. As a result of contrasting economic conditions, sales results in the region varied: the cash & carry segment produced good sales results in such countries as Russia, Turkey and Ukraine thanks to favourable macroeconomic conditions. By contrast, sales in Greece and Hungary fell once again from their previous year's level. During 2012, Eastern Europe was a focal point of expansion at METRO Cash & Carry. In the process, the sales line expanded its market share in the region.

In Asia, the cash & carry segment continued to perform strongly in 2012. Sales produced by the cash & carry segment once again grew faster than sales generated by modern food retailing. By continuing to expand in this strategic growth region, METRO Cash & Carry played a major role in the development of the cash & carry business. Thanks to the low market concentration found in many countries and the higher number of small, traditional retailers, the region continues to exhibit tremendous growth potential.

Real: developments in the food retail business

The Real sales line is Germany's number 2 in large-area food retailing and was one of the leading providers of this sales format in Eastern Europe during 2012.

The German food retail business continued to produce sales growth in 2012. Sales even rose higher than they did in the previous year. At the same time, the growth generated by price rises in the reporting year was smaller than in 2011. Once again, small superstores and discounters outperformed the overall market. Sales produced by large-area superstores with selling space of more than 2,500 square metres finished the year slightly above the level of the overall market. On a like-for-like basis, large superstores increased their sales. By contrast, like-for-like sales at Real slightly trailed those of competitors in 2012.

In the countries of Eastern Europe where Real does business, the sales of modern food retailing continued to climb in 2012. Growth rates remained at a high level – as a result of rising food prices, among other reasons. Another key driver of market growth was the further expansion of selling space. Modern hypermarkets continued to play a major role in the expansion produced in 2012.

Media-Saturn: developments in consumer electronics retailing

In 2012, the Media-Saturn group of companies maintained its leading position in European consumer electronics retailing. In addition to expanding its stationary stores, the sales line opened the new online shops of Media Markt and Saturn in several countries during the reporting year. In the process, it continued to expand its presence in the rapidly growing online business.

In 2012, German consumer electronics retailing performed well once again. However, sales grew at a slower pace than they have done in recent years. Following a subdued start in the 1st quarter, the market gained strong momentum in the 2nd quarter. This trend continued in the 2nd half of the year as well. A key driver of these sales was the strong demand for consumer electronics related to the UEFA EURO 2012 football championship. Following a sharp cut in advertising activities, Media-Saturn surrendered market share in the 1st quarter. By the end of the year, these losses had been fully recaptured. These gains were also due to the continued expansion of the sales line's online business. In addition to Redcoon, both Media Markt and Saturn have their own online shops in Germany. The sales produced by Media-Saturn's online sales operation grew faster in 2012 than the online sales generated by the overall market. Compared with the entire consumer electronics retailing business, online sales produced above-average growth during the reporting year.

In Western Europe, the negative sales trend from the previous year continued during 2012. In Spain and Portugal, 2 crisis countries of the eurozone, the industry's sales plummeted once again. With the exception of Austria, the other countries of Western Europe generated only weak growth. The Internet sales channel was able to escape the grip of the overall negative market trend and gained further significance in 2012. Despite challenging market conditions, Media-Saturn was still able to expand its market share in Western Europe. A key driver of this growth was the continued expansion of multichannel sales.

In Eastern Europe, sales of consumer electronics retailing shot up in 2012. Russia and Turkey remained the main driving forces of this growth. The Polish market also produced exceptional results. This was backed by strong demand for consumer electronics related to the UEFA EURO 2012 football championship that was held in the country. In Greece, the negative trends seen in recent years continued in 2012. Overall, Media-Saturn maintained its market share in Eastern Europe.

Galeria Kaufhof: developments in the department store business

In 2012, the department store segment in Germany remained at the level it reached in the previous year. As expected, the sector's results finished behind German retailing as a whole.

In 2011, sales trends with textiles and clothing, the focal points of department stores' assortments, were still positive. But these trends did not continue in 2012. Rather, sales decreased slightly. Following a weak 1st half of the year, a generally positive trend began in the 2nd half. The conflicting direction taken by various sales channels in the textile and clothing market continued in 2012: sales generated by mail-order and online retailing continued to rise. But sales produced by stationary stores fell. Most stationary formats, including department stores, were unable to escape this trend.

In Belgium, Galeria Inno continued the positive sales trends seen in the previous year. But Galeria Inno's sales results slightly lagged behind those of the Belgian retail sector.

Real estate: developments in the real estate business

In light of challenging business conditions, the fundamental data of global real estate markets were relatively positive. But the general mood remained tense. In 2012, the volume of investment in commercial real estate was generally stable in major markets – including Germany, the United States and the United Kingdom. But smaller and emerging markets like Brazil suffered significant setbacks. By year's end, activity in the markets had picked up, enabling a small increase in transaction results to be achieved compared with the previous year. Investors increasingly focused on core properties – that is, long-term rental property – to avoid risks. By contrast, the market proved to be challenging for lower quality real estate and for property with development potential in terms of leases and building structure.

Trends in European real estate markets continued to be characterised in 2012 by a strong regional imbalance. Investors continued to view the region's established and saturated markets as safe havens. But activities outside the core markets could not live up to market players' expectations. In 2012, sales of about €120 billion were produced with commercial real estate across Europe, a total that corresponds to the previous year's total. Nearly 27 percent of the transactions involved retail property, a figure that was slightly below the previous year's total of about 31 percent. Investments in the retail segment were primarily made in Germany, France and Great Britain. Across Europe, the trend towards a continued stabilisation of commercial real estate yields continued. But the economic slowdown had a growing impact on the European rental market. Corrections occurred particularly in the eurozone's crisis countries. Momentum eased in other markets.

In Germany, the transaction volume for real estate climbed as a result of major portfolio transactions at the end of the year. Compared with the previous year, it climbed by 8 percent. This result confirms the strength of the German investment market, particularly against the backdrop of the euro sovereign debt crisis, economic uncertainty, financing bottlenecks and a continuing aversion to risk seen among investors. The last factor has led investors to focus largely on properties in the core segment of German investment centres. As a result of the limited supply in this category, however, investor interest increasingly shifted to economically robust locations away from the real estate centres and to real estate with attractive location qualities and risk-adequate prices that requires a higher level of management effort.

In Eastern Europe, it was extremely clear that the uncertainties in the eurozone were continuing and that investors were focusing almost exclusively on core properties. The result was a sharp drop in market activities. In 2012, transaction volume for commercial real estate was about 35 percent below the previous year's level. Despite steep losses in the mature markets of Poland and Russia, these markets were very robust at the end of the year and acted as the driving forces of regional market developments. In particular, the investment activities in the Russian market had a stabilising effect. Because there is a shortage of first-class real estate properties for retailing in Eastern Europe, demand is being drawn to office real estate. Throughout the region, yields remained largely stable or decreased slightly.

The difficult economic conditions seen around the world had a distinct impact on the real estate markets of Asia and the Pacific region in 2012. Demand was subdued: transaction volume for commercial real estate plunged about 6 percent from the previous year's level. China was the primary cause of this drop: here, a challenging financing environment combined with government restrictions on project development triggered a plunge in land transactions.

This resulted in a 22 percent drop in total investment volume compared with the previous year. In Japan, investor confidence improved markedly during the year following the earthquake and reactor disaster, as reflected by a 17 percent increase in investment volumes. But the lack of investable properties continued to curb transaction activity. In general, Asian investors dominate real estate demand in the region. Only about 10 percent of transaction volume in 2012 involved investors outside the region. This activity concentrated primarily on China and Japan. In contrast to the market for rented office space, Asia continued to have healthy demand for rented retail selling space. The strongest demand was generated by China once again. Yields partially fell throughout the region. Slight yield compression was generally seen in the office segment while yields for retail properties rose slightly in some markets, including China.

3. Earnings position

Overview of Group business developments

METRO GROUP recorded another increase in sales during the reporting year – despite the deterioration in market conditions, particularly in Southern Europe. Group sales rose by 1.2 percent to €66.7 billion. In local currencies, sales increased by 0.8 percent. Sales growth was capped by portfolio changes, including the divestment of the wholesale business of MAKRO Cash & Carry in the United Kingdom and the sale of the French Saturn consumer electronics stores in 2011. Adjusted for these effects, year-on-year sales growth at METRO GROUP was as high as 2.3 percent. This means that we have fully met our forecast of a sustained increase in sales.

Group EBIT declined by €722 million to €1,391 million. EBIT before special items fell by 16.7 percent to €1,976 million, matching our most recent forecast of about €2 billion.

Sales and earnings developments

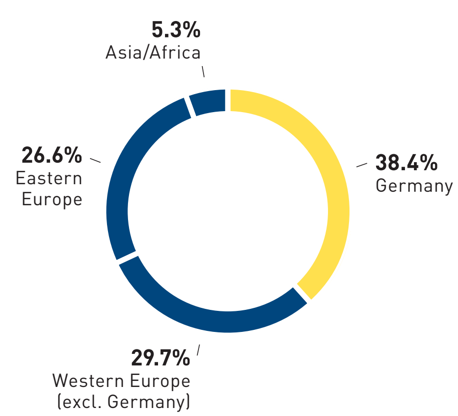
Pursuant to IFRS, companies only fully recognise sales revenues and the cost of sale for sales of goods or services if they assume the essential transaction-related opportunities and risks. Transactions where this is not the case are defined as so-called commission transactions where sales revenues are recognised only in the amount of the commissions which the company receives in its role as an agent. In the 1st quarter of 2012, METRO GROUP adjusted its definition of commission transactions. As a result, a higher proportion of transactions are recognised as commission transactions. The resulting reduction of sales revenues has no effect on the income statement as the corresponding cost of sales is no longer recognised either. The aim of this change of reporting is to improve comparability with other retail companies, particularly in terms of EBIT margin. To ensure comparability, sales for the financial year 2011 were lowered by a total of €0.8 billion. This affects the Galeria Kaufhof sales line and the "others" segment, in particular.

Development of Group sales
by sales line and region

			Change in %		
	2011 € million	2012 € million	in €	currency effects in percentage points	in local currencies
METRO Cash & Carry	31,121[1]	**31,636**	1.7	1.0	0.7
Real	11,032[1]	**11,017**	−0.1	−0.2	0.1
Media-Saturn	20,604	**20,970**	1.8	0.3	1.5
Galeria Kaufhof	3,119[1]	**3,092**	−0.9	0.0	−0.9
Others	50[1]	**24**	−51.5	0.0	−51.5
METRO GROUP	**65,926[1]**	**66,739**	**1.2**	**0.4**	**0.8**
thereof Germany	25,469[1]	**25,630**	0.6	0.0	0.6
thereof international	40,457[1]	**41,108**	1.6	0.8	0.8
Western Europe (excl. Germany)	20,699[1]	**19,808**	−4.3	0.5	−4.8
Eastern Europe	16,946[1]	**17,752**	4.8	0.0	4.8
Asia/Africa	2,812[1]	**3,548**	26.2	9.1	17.1

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

Group sales of METRO GROUP 2012
by region



In the financial year 2012, METRO GROUP's sales increased by 1.2 percent to €66.7 billion (previous year: €65.9 billion). In local currencies, sales rose by 0.8 percent. Positive developments at our sales divisions METRO Cash & Carry and Media-Saturn contributed to this strong result. Adjusted for the divestment of MAKRO Cash & Carry in the United Kingdom and the Media-Saturn sale in France, sales growth was as high as 2.3 percent.

Sales in Germany grew by 0.6 percent to €25.6 billion. International sales increased by 1.6 percent – despite the abovementioned portfolio changes. In local currencies, sales outside of Germany grew by 0.8 percent. As a result, the international share of sales rose slightly from 61.4 percent to 61.6 percent. Sales in Western Europe declined by 4.3 percent to €19.8 billion (in local currencies: -4.8 percent). 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 2.2 percent. Conversely, sales in Eastern Europe saw strong growth of 4.8 percent to €17.8 billion (in local currencies: +4.8 percent). Strong growth momentum was recorded in Asia/Africa. Sales in that region rose sharply by 26.2 percent to €3.5 billion (in local currencies: +17.1 percent). As a result, the region's share of METRO GROUP sales exceeded the 5-percent mark for the first time in 2012.

At €1,391 million, METRO GROUP's 2012 EBIT declined by 34.2 percent compared to the previous year. This figure includes special items totalling €585 million, including, in particular, restructuring expenditures, goodwill impairments and impairments in connection with the sale of MAKRO Cash & Carry in the United Kingdom as well as the termination of Media Markt's Chinese business and effects from the sale of Real's Eastern European business.

Special items include 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 102 and 103.

METRO GROUP's EBIT before special items declined by 16.7 percent to €1,976 million. This could be attributed mostly to the difficult market environment in Southern Europe and parts of Eastern Europe as well as price investments.

In Germany, EBIT declined by €53 million to €320 million; EBIT before special items rose by €18 million to €522 million. EBIT from METRO GROUP's international operations fell short of the previous year's level. In Western Europe (excluding Germany), EBIT fell by €423 million to €480 million; EBIT before special items amounted to €642 million. This corresponds to a decline of €314 million. In Eastern Europe, EBIT retreated from €855 million to €731 million; EBIT before special items declined by €78 million to €849 million. In Asia/Africa, EBIT fell by €116 million to €–144 million, due mostly to the operating losses at Media Markt in China. EBIT before special items in Asia/Africa fell by €17 million to €–42 million.

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

€ million	EBITDA[1] 2011	EBITDA[1] 2012	EBIT[1] 2011	EBIT[1] 2012
METRO Cash & Carry	1,408	**1,198**	1,148	**947**
Real	321	**276**	134	**102**
Media-Saturn	809	**625**	542	**326**
Galeria Kaufhof	219	**240**	121	**136**
Real Estate	994	**1,035**	643	**652**
Others	−77	**−57**	−197	**−168**
Consolidation	−23	**−25**	−19	**−20**
METRO GROUP	**3,651**	**3,292**	**2,372**	**1,976**

[1] Before special items

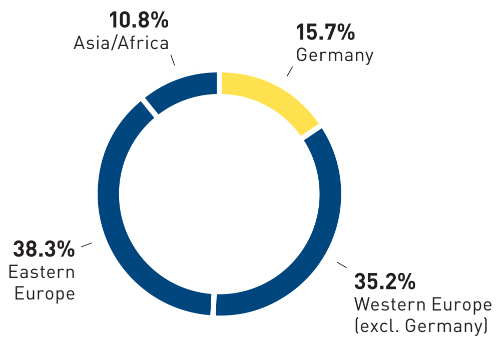
Sales and earnings developments of the sales lines

METRO Cash & Carry

Sales of METRO Cash & Carry rose by 1.7 percent (in local currencies: +0.7 percent) to €31.6 billion in 2012. Like-for-like sales increased by 0.2 percent. The exit from the UK market dampened sales growth; adjusted for this portfolio change, sales grew by 3.2 percent. The deliveries business continued to show dynamic growth, with sales in this business reaching €2.2 billion (previous year: €1.6 billion). The sales share of own-brand products also rose strongly to 16.7 percent in 2012 – an increase of 1 percentage point compared to the previous year.

In Germany, the decline in sales by 3.3 percent to €5.0 billion in the financial year 2012 was due mostly to the optimisation of the portfolio of locations, which comprised 10 closures during the 4th quarter of 2011, as well as to the weaker nonfood business. Like-for-like sales, however, fell by just 0.7 percent.

Sales of METRO Cash & Carry 2012
by region



Sales growth in Western Europe (excluding Germany) was dampened by the sale of the wholesale business of MAKRO Cash & Carry in the United Kingdom, as well as the difficult economic environment in Southern Europe, which had a negative effect on nonfood sales, in particular. Sales declined by 5.5 percent to €11.2 billion (in local currencies: −6.0 percent). Adjusted for the sale of MAKRO Cash & Carry in the United Kingdom, sales retreated by 1.8 percent. Like-for-like sales fell by 2.3 percent.

Strong sales growth was recorded in Eastern Europe during the financial year, with particularly favourable developments in Russia. Sales in Eastern Europe grew sharply by 5.5 percent to €12.1 billion (in local currencies: +5.3 percent). Like-for-like sales rose by 1.7 percent.

The strong sales momentum in the Asia/Africa region continued in the financial year 2012. METRO Cash & Carry achieved double-digit growth in all countries in which it operates. In total, regional sales grew by 25.9 percent to €3.4 billion (in local currencies: +16.9 percent). Like-for-like sales increased by 5.6 percent. METRO Cash & Carry's expansion in China is particularly noteworthy: the sales line opened 12 new stores in that country, more than ever in any other country in 1 year.

The international share of sales of METRO Cash & Carry rose from 83.5 percent to 84.3 percent.

METRO Cash & Carry's EBIT declined by 34.0 percent to €684 million from €1,037 million. Aside from the exit from the UK market, goodwill impairments and restructuring expenditures dampened results. EBIT before special items fell by 17.5 percent to €947 million. This decline is partly due to the fact that METRO Cash & Carry has established new functions to add even more value for customers. These include a customer-oriented reorganisation of its assortment and an expansion of customer management and the deliveries business. Efficiency increases in other areas partly offset this effect. In addition, higher expansion costs and price investments had a negative effect on EBIT. Additional adverse effects resulted from weaker like-for-like sales in Southern Europe. With an EBIT margin before special items of 3.0 percent, METRO Cash & Carry generated a solid return in a challenging environment.

Key figures METRO Cash & Carry 2012
in year-on-year comparison

			Change in %			
	2011 € million	**2012 € million**	in €	currency effects in percentage points	in local currencies	like-for-like (local currencies)
Sales	31,121[1]	**31,636**	1.7	1.0	0.7	0.2
Germany	5,125[1]	**4,955**	−3.3	0.0	−3.3	−0.7
Western Europe (excl. Germany)	11,805	**11,153**	−5.5	0.5	−6.0	−2.3
Eastern Europe	11,485[1]	**12,120**	5.5	0.2	5.3	1.7
Asia/Africa	2,706	**3,407**	25.9	9.0	16.9	5.6
EBITDA	1,408[2]	**1,198[2]**	−14.9	–	–	–
EBIT	1,148[2]	**947[2]**	−17.5	–	–	–
EBIT margin (%)	3.7[2]	**3.0[2]**	–	–	–	–
Locations (number)	728	**743**	2.1	–	–	–
Selling space (1,000 m²)	5,517	**5,484**	−0.6	–	–	–

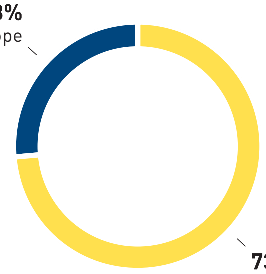
[1] Adjustment of previous year (see chapter "Notes to the Group accounting principles and methods")
[2] Before special items

As of 31 December 2012, METRO Cash & Carry operated 743 locations in 29 countries: 107 stores in Germany, 235 in Western Europe (excluding Germany), 284 in Eastern Europe and 117 in Asia/Africa.

Real

Sales of Real matched the year-earlier level of €11.0 billion in 2012 (in local currencies: +0.1 percent) although our sales line trimmed its store network. Like-for-like sales increased slightly by 0.1 percent.

Sales of Real 2012
by region



Despite these store divestments, sales in Germany slightly exceeded the year-earlier level, rising by 0.1 percent to €8.1 billion. Like-for-like sales grew by 1.0 percent. The positive sales trend of the first 9 months gained momentum in the final quarter thanks mostly to October's "Real Deal" campaign, which saw the sales line offering a select product at an especially low price every day.

Sales in Eastern Europe fell by 0.9 percent to €2.9 billion in 2012. This decline was due to currency effects; in local currencies, sales increased by 0.1 percent. Like-for-like sales, however, declined by 2.3 percent. Sales were dampened by continued consumer reticence in Poland and Romania, in particular. The Eastern European nonfood business remained difficult and prevented better sales developments.

At the end of November 2012, Real's Eastern European business (excluding Turkey) was sold to the French retail company Groupe Auchan. The sale is subject to the approval of the responsible antitrust authorities and is scheduled to be closed in 2013.

The international share of sales at Real declined marginally from 26.5 percent to 26.3 percent.

Key figures Real 2012
in year-on-year comparison

	2011 € million	2012 € million	Change in % in €	currency effects in percentage points	in local currencies	like-for-like (local currencies)
Sales	11,032[1]	**11,017**	−0.1	−0.2	0.1	0.1
Germany	8,106[1]	**8,117**	0.1	0.0	0.1	1.0
Eastern Europe	2,926	**2,900**	−0.9	−1.0	0.1	−2.3
EBITDA	321[2]	**276[2]**	−13.9	–	–	–
EBIT	134[2]	**102[2]**	−23.6	–	–	–
EBIT margin (%)	1,2[2]	**0.9[2]**	–	–	–	–
Locations (number)	426	**421**	−1.2	–	–	–
Selling space (1,000 m²)	3,082	**3,043**	−1.3	–	–	–

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

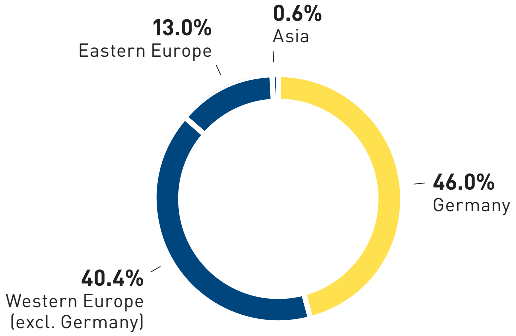
EBIT retreated by €69 million to €25 million due partly to negative effects related to the sale of the Eastern European business. EBIT before special items declined by €32 million to €102 million. EBIT fell short of the year-earlier level in Germany, reflecting the formation of reserves, including for onerous contracts. Conversely, the positive EBIT trend continued in Eastern Europe, with our sales line improving its results in Russia, in particular. Real generated an EBIT margin before special items of 0.9 percent.

At the end of 2012, Real's network of locations comprised 421 hypermarkets in 6 countries: 312 in Germany and 109 in Eastern Europe.

Media-Saturn

Media-Saturn reaffirmed its leading market position in Europe in 2012. In spite of a persistently challenging economic environment, sales rose by 1.8 percent to €21.0 billion (in local currencies: +1.5 percent). Adjusted for the sale of the French business in 2011, sales increased by as much as 2.9 percent. Like-for-like sales, in turn, retreated by 1.9 percent. The acquisition of Redcoon also supported Media-Saturn's sales growth. All in all, online sales increased to €0.8 billion, more than double the previous year's level. In 2012, Media-Saturn generated about 4 percent of its sales on the Internet.

Sales of Media-Saturn 2012
by region



Sales in Germany developed very favourably in the financial year 2012 and reached €9.6 billion. Like-for-like sales increased by 1.0 percent, the first increase since 2009. The positive sales trend over the year could be attributed to investments that have rendered Media-Saturn's stationary business more attractive, as well as the systematic expansion of the sales line's Internet presence and higher demand for consumer electronics during the UEFA EURO 2012 football championship. Despite a negative calendar effect in the 4th quarter – there were fewer business days in 2012 than in the previous year – business markedly picked up during the Christmas season. Media-Saturn continued to gain market share in 2012.

Sales in Western Europe (excluding Germany) declined by 2.8 percent to €8.5 billion in 2012 (in local currencies: −3.2 percent). This was due mostly to sales tax increases in the Netherlands and Spain, which had a distinctly negative effect on business developments. In addition, sales of Media-Saturn in France were no longer included in year-on-year figures for 2012. Adjusted for the divestment of the French consumer electronics stores, sales declined by just 0.2 percent.

Sales in Eastern Europe increased sharply by 7.8 percent in the financial year 2012 (in local currencies: +7.6 percent) to €2.7 billion. Like-for-like sales also grew by 0.4 percent compared to the previous year. Key Eastern European growth markets for Media-Saturn included Russia and Turkey.

Within Asia, the Media Markt sales line recorded sales of €132 million in China in 2012. As announced, the test phase for market entry in China ended in December 2012. Based on the sales line's experience and business forecasts, the Management Board of METRO AG has decided to discontinue Media Markt's Chinese operations and has made the necessary accounting provisions.

The international share of sales at Media-Saturn declined slightly from 55.0 percent to 54.1 percent.

Media-Saturn's EBIT amounted to €235 million after €493 million in the previous year. This decline is largely due to price investments and accounting provisions totalling €95 million for the termination of business operations in China. More efficient cost structures had a positive effect. EBIT before special items declined to €326 million from €542 million. The EBIT margin before special items reached 1.6 percent in the reporting year.

Key figures Media-Saturn 2012
in year-on-year comparison

			Change in %			
	2011 € million	2012 € million	in €	currency effects in percentage points	in local currencies	like-for-like (local currencies)
Sales	20,604	**20,970**	1.8	0.3	1.5	−1.9
Germany	9,266	**9,635**	4.0	0.0	4.0	1.0
Western Europe (excl. Germany)	8,712	**8,471**	−2.8	0.4	−3.2	−5.7
Eastern Europe	2,534	**2,731**	7.8	0.2	7.6	0.4
Asia/Africa	92	**132**	43.5	14.2	29.3	−23.4
EBITDA	809[1]	**625**[1]	−22.7	–	–	–
EBIT	542[1]	**326**[1]	−39.7	–	–	–
EBIT margin (%)	2.6[1]	**1.6**[1]	–	–	–	–
Locations (number)	893	**942**	5.5	–	–	–
Selling space (1,000 m²)	2,880	**3,035**	5.4	–	–	–

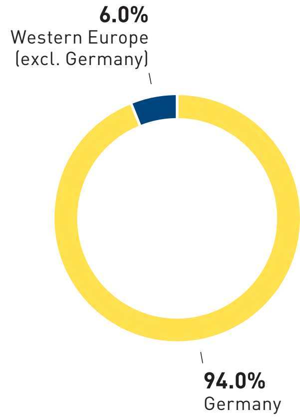
[1] Before special items

At the end of 2012, the store network of Media-Saturn comprised 942 consumer electronics stores in 16 countries: 404 in Germany, 364 in Western Europe (excluding Germany), 167 in Eastern Europe and 7 in Asia.

Galeria Kaufhof

In the financial year 2012, sales of Galeria Kaufhof declined by 0.9 percent to €3.1 billion. Like-for-like sales fell slightly by 0.6 percent. Changes in the reporting of commission transactions caused a corresponding reduction in sales of Galeria Kaufhof during the reporting year and the previous year. Commission sales generated from commission transactions are based on an underlying transaction volume of €488 million (previous year: €470 million).

Sales of Galeria Kaufhof 2012
by region



Galeria Kaufhof generated sales of €2.9 billion in Germany in 2012 – a decline of 1.0 percent compared to the previous year. Like-for-like sales retreated by 0.7 percent. During the reporting year, Galeria Kaufhof concluded the discontinuation of the consumer electronics and media departments that it had initiated in 2010. Our sales line now uses the freed-up space to present higher-margin assortments including fashion, accessories, sports articles and toys. The textile assortment recorded particularly positive developments during the financial year. All in all, Galeria Kaufhof gained additional market share. Transaction volumes from commission sales in Germany amounted to €230 million (previous year: €226 million).

Galeria Kaufhof also made further strides in the fast-growing online business. At the end of 2012, the product offering presented at www.galeria-kaufhof.de comprised about 50,000 items. Online sales more than doubled to €25 million compared to the previous year.

In Western Europe (excluding Germany), sales rose by 0.8 percent to €0.2 billion. Like-for-like sales also increased by 0.8 percent. Transaction volumes from commission sales in Western Europe (excluding Germany) amounted to €258 million (previous year: €244 million).

EBIT rose markedly to €136 million after €94 million in the previous year. The various measures taken to optimise the network of locations clearly paid off. At €136 million, EBIT before special items rose €15 million from the previous year's level of €121 million. The EBIT margin improved to 4.4 percent.

At the end of 2012, Galeria Kaufhof operated 137 stores: 122 in Germany and 15 in Belgium.

Key figures Galeria Kaufhof 2012
in year-on-year comparison

			Change in %			
	2011 € million	2012 € million	in €	currency effects in percentage points	in local currencies	like-for-like (local currencies)
Sales	3,119[1]	**3,092**	−0.9	0.0	−0.9	−0.6
Germany	2,936[1]	**2,908**	−1.0	0.0	−1.0	−0.7
Western Europe (excl. Germany)	183[1]	**184**	0.8	0.0	0.8	0.8
EBITDA	219[2]	**240**	9.4	–	–	–
EBIT	121[2]	**136**	12.4	–	–	–
EBIT margin (%)	3.9[1, 2]	**4.4**	–	–	–	–
Locations (number)	140	**137**	−2.1	–	–	–
Selling space (1,000 m²)	1,475	**1,441**	−2.3	–	–	–

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

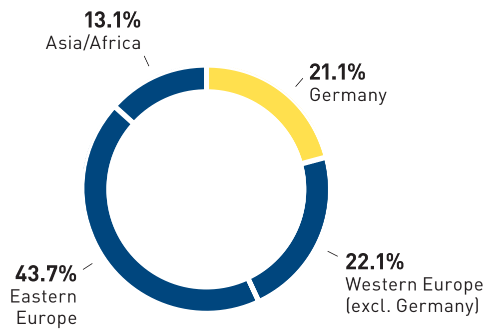
Real Estate

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. The aim is to safeguard and systematically increase the value of the Company's real estate assets over the long term: through international expansion, active asset and portfolio management as well as optimised resource deployment.

As of 31 December 2012, METRO GROUP owned 620 locations (previous year: 687).

EBIT fell to €607 million from €639 million, a decline of €32 million that also resulted from the sale of MAKRO Cash & Carry in the United Kingdom. EBIT before special items increased by €9 million to €652 million. This figure also includes higher proceeds from portfolio transactions.

Property locations (620 locations)
by region



Others

The "others" segment comprises, among others, METRO AG as the strategic 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 2012, sales of the "others" segment declined to €24 million (previous year: €50 million). Sales mostly comprised commissions from the Hong Kong procurement organisation's third-party business as well as from logistics. As a result of lower order volumes from a number of major customers, sales fell short of the year-earlier figure.

EBIT totalled €–278 million in 2012 (previous year: €–217 million). This figure includes expenses for the discontinuation of a location of our logistics company METRO LOGISTICS, comprehensive outlays for restructuring measures at METRO AG's Düsseldorf headquarters and one-time expenses related to the shareholder action in connection with the integration of ASKO and Deutsche SB-Kauf into METRO AG in 1996. All in all, special items in the "others" segment amounted to €109 million. EBIT before special items improved markedly to €–168 million from €–197 million.

Financial result and taxes

€ million	2011	2012
Earnings before interest and taxes EBIT	**2,113**	**1,391**
Result from associated companies	1	**2**
Other investment result	41	**15**
Interest income/expenses (net interest result)	–580	**–562**
Other financial result	–102	**–36**
Net financial result	**–640**	**–581**
Earnings before taxes EBT	**1,473**	**810**
Income taxes	–732	**–709**
Profit or loss for the period	**741**	**101**

Financial result

The financial result comprises above all the net interest result of €–526 million (previous year: €–580 million) and other financial results of €–36 million (previous year: –102 million). Interest income improved essentially as a result of lower interest expenses. Other financial result improved by €66 million to €–36 million. This was due mostly to the €39 million decline in cumulative results 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.

Additional information on the financial results can be found in the notes to the consolidated financial statements in no. 6 "Other investment result", no. 7 "Interest income/interest expenses" and no. 8 "Other financial result".

Taxes

The decline in taxes paid or owed is essentially due to tax audits completed during the previous year as well as a taxable real estate transaction conducted during the previous year where properties were brought into a fund structure. The countervailing movement in deferred taxes resulted largely from temporary differences carried forward. In the previous year, these carry-forwards were offset by disproportionate deferred tax income from the above-mentioned real estate transaction. Due to the sale of fund shares the deferred taxes were reversed in the reporting year.

€ million	2011	2012
Taxes paid or owed	741	**528**
thereof Germany	(174)	**(161)**
thereof international	(567)	**(367)**
thereof tax expenses/income of current period	(639)	**(516)**
thereof tax expenses/income of previous periods	(102)	**(12)**
Deferred taxes	−9	**181**
thereof Germany	(50)	**(101)**
thereof international	(−59)	**(80)**
	732	**709**

The effective tax rate stood at 87.48 percent in the reporting year (previous year: 49.71 percent). Adjusted for special items, the Group's overall tax rate amounted to 49.42 percent (previous year: 43.47 percent).

Additional information about income taxes can be found in the notes to the consolidated financial statements in no. 10 "Income taxes".

Group net profit and earnings per share

In 2012, Group net profit totalled €101 million, €640 million lower than in the previous year. Net of non-controlling interests, the Group's net profit attributable to the shareholders of METRO AG amounted to €3 million (previous year: €631 million).

Net profit for the period comprises special items totalling €615 million (previous year: €238 million). Adjusted for special items, net profit for the period thus amounted to €717 million (previous year: €979 million).

In the financial year 2012, METRO GROUP generated earnings per share of €0.01 (previous year: €1.93). As in the previous year, the calculation was based on a weighted number of 326,787,529 shares. Group net profit attributable to the shareholders of €3 million was distributed according to this number of shares. There was no dilution from so-called potential shares in the reporting year or in the previous year.

Earnings per share before special items totalled €1.89 (previous year: €2.63).

				Change	
		2011	2012	Absolute	%
Profit or loss for the period	€ million	741	**101**	−640	−86.3
Profit or loss attributable to non-controlling interests	€ million	110	**98**	−12	−10.8
Profit or loss attributable to shareholders of METRO AG	€ million	631	**3**	−628	−99.5
Earnings per share (basic = diluted)[1]	€	1.93	**0.01**	−1.92	−99.5
Earnings per share before special items[1]	€	2.63	**1.89**	−0.74	−27.9

[1] Net of non-controlling interests

EBIT after Cost of Capital (EBITaC)

METRO GROUP's strength is reflected in its ability to continuously increase the Company's value through growth and operational efficiency as well as optimal capital deployment. METRO GROUP has been using value-orientated performance metrics 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)

[1] Special items generally periodised over 4 years

The use of the performance metric EBITaC 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 addition, METRO GROUP has successfully implemented operational and administrative measures to increase operational efficiency and optimise capital deployment going beyond the measures included in its efficiency and value-enhancing programme Shape 2012.

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 corresponds to the minimum return on capital demanded by capital providers. It reflects the total cost of capital employed and thus consists of equity and debt capital costs. In 2012, METRO GROUP's cost of capital before taxes amounted to 9.6 percent. 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. The new definition of net working capital and the resulting accounting reclassifications are reflected in the restated capital employed.

In the calculation of EBITaC, special items are generally distributed over 4 years on a straight-line basis and considered in earnings before interest and taxes (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. In addition, the periodisation helps to ensure that measures that create value over the long term are not abandoned because of negative short-term earnings effects.

The results of the EBITaC 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 factor 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 for these cases. 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 a stronger priorisation 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.

EQUITY CAPITAL COSTS

Risk-free rate of return	4.5%
+	
Market risk premium	5.0%
x Beta factor (specific risk premium for METRO GROUP)	1.0
=	**9.5%**

Weighting at market rates 50%

DEBT CAPITAL COSTS

Risk-free rate of return	4.5%
+	
Average long-term risk premium	2.0%
=	6.5%
– Tax effect	–1.6%
=	**4.9%**

Weighting at market rates 50%

7.2% Group WACC after taxes

Tax effect (1 – 25.2%)

9.6% Group WACC before taxes

€ million	2011[1]	2012	Delta
EBIT before special items	2,372	**1,976**	–396
EBIT after periodisation of special items[2]	2,111	**1,628**	–483
Capital employed	16,358	**16,305**	–53
WACC before taxes	9.6%	**9.6%**	–
Cost of capital	–1,567	**–1,563**	4
EBITaC	544	**65**	–479

[1] Previous year adjusted for comparability reasons
[2] The effect of the special items is spread over 4 years

In 2012, EBIT after periodisation of special items from previous years (2009: €343 million, 2010: €204 million, 2011: €259 million) and periodised one-time expenses from 2012 totalling €585 million amounted to €1,628 million. Given an average capital employed of €16,305 million, the cost of capital amounted to €1,563 million. Despite the macroeconomic challenges and increased price investments, which led to a distinct decline in EBIT, METRO GROUP successfully deployed its capital in 2012 and achieved a positive EBITaC of €65 million.

Balance sheet profit of METRO AG and profit appropriation in accordance with German commercial law

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 as follows:

Income statement for the financial year from 1 January to 31 December 2012 prepared under the German Commercial Code (HGB)

€ million	2011	2012
Investment result	956	**783**
Financial result	–125	**–124**
Other operating income	553	**559**
Personnel expenses	–137	**–147**
Depreciation/amortisation on intangible and tangible assets	–66	**–54**
Other operating expenses	–458	**–483**
Result from ordinary operations	**723**	**534**
Income taxes	–26	**–34**
Other taxes	1	**–2**
Net income	**698**	**498**
Profit carried forward from the previous year	14	**21**
Additions to reserves retained from earnings	–250	**–170**
Balance sheet profit	**462**	**349**

Balance sheet profit of METRO AG and profit appropriation

For the financial year 2012, METRO AG posted investment income of €783 million, compared with €956 million in the previous year.

In consideration of other income, expenses and taxes as well as the transfer of €170 million to revenue reserves, the Company reported a balance sheet profit of €349 million compared with €462 million in 2011.

The Management Board of METRO AG will propose to the Annual General Meeting that, from the reported balance sheet profit of €349 million, a dividend of €327 million be paid and that the balance be carried forward to the new account. The dividend proposed by the Management Board amounts to

— €1.00 per ordinary share and
— €1.06 per preference share.

Balance sheet as of 31 December 2012

Assets

€ million	31/12/2011	31/12/2012
Fixed assets		
Intangible assets	84	**41**
Tangible assets	4	**3**
Financial assets	8,660	**8,552**
	8,748	**8,596**
Current assets		
Receivables and other assets	2,352	**2,488**
Cash on hand, bank deposits and cheques	914	**2,088**
	3,266	**4,576**
Prepaid expenses and deferred charges	15	**16**
	12,029	**13,188**

Equity and liabilities

€ million	31/12/2011	31/12/2012
Equity		
Share capital	835	**835**
Ordinary shares	828	**828**
Preference shares	7	**7**
(Contingent capital)	(128)	**(128)**
Capital reserves	2,558	**2,558**
Reserves retained from earnings	1,977	**2,146**
Balance sheet profit	462	**349**
	5,832	**5,888**
Provisions	**374**	**375**
Liabilities	5,815	**6,918**
Deferred income	8	**7**
	12,029	**13,188**

Special items
by sales line

€ million		2011 as reported	2012 as reported	2011 special items	2012 special items	2011 before special items	2012 before special items
EBITDA		3,429	**3,014**	222	**279**	3,651	**3,292**
thereof	METRO Cash & Carry	1,297	**1,131**	111	**67**	1,408	**1,198**
	Real	292	**223**	29	**52**	321	**276**
	Media-Saturn	767	**570**	42	**55**	809	**625**
	Galeria Kaufhof	193	**240**	26	**0**	219	**240**
	Real Estate	1,008	**1,039**	–14	**–4**	994	**1,035**
	Others	–97	**–166**	20	**109**	–77	**–57**
	Consolidation	–31	**–24**	8	**–1**	–23	**–25**
EBIT		2,113	**1,391**	259	**585**	2,372	**1,976**
thereof	METRO Cash & Carry	1,037	**684**	111	**263**	1,148	**947**
	Real	94	**25**	40	**77**	134	**102**
	Media-Saturn	493	**235**	49	**91**	542	**326**
	Galeria Kaufhof	94	**136**	27	**0**	121	**136**
	Real Estate	639	**607**	4	**45**	643	**652**
	Others	–217	**–278**	20	**109**	–197	**–168**
	Consolidation	–27	**–19**	8	**–1**	–19	**–20**
Net financial result		–640	**–581**	0	**22**	–640	**–559**
EBT		**1,473**	**810**	**259**	**607**	**1,732**	**1,417**
Income taxes		–732	**–709**	–21	**9**	–753	**–700**
Profit or loss for the period		**741**	**101**	**238**	**615**	**979**	**717**
Profit or loss for the period attributable to non-controlling interests		110	**98**	10	**0**	120	**98**
Profit or loss attributable to shareholders of METRO AG		631	**3**	228	**615**	859	**619**
Earnings per share in € (basic = diluted)		**1.93**	**0.01**	**0.70**	**1.88**	**2.63**	**1.89**

Special items
by region

€ million		2011 as reported	2012 as reported	2011 special items	2012 special items	2011 before special items	2012 before special items
EBITDA		3,429	**3,014**	222	**279**	3,651	**3,292**
thereof	Germany	1,021	**938**	117	**195**	1,138	**1,133**
	Western Europe (excl. Germany)	1,162	**938**	51	**–10**	1,213	**928**
	Eastern Europe	1,214	**1,175**	51	**27**	1,265	**1,202**
	Asia/Africa	22	**–41**	3	**66**	25	**25**
	International	2,398	**2,072**	105	**83**	2,503	**2,155**
	Consolidation	10	**4**	0	**0**	10	**4**
EBIT		2,113	**1,391**	259	**585**	2,372	**1,976**
thereof	Germany	373	**320**	131	**202**	504	**522**
	Western Europe (excl. Germany)	903	**480**	53	**163**	956	**642**
	Eastern Europe	855	**731**	72	**118**	927	**849**
	Asia/Africa	–28	**–144**	3	**102**	–25	**–42**
	International	1,730	**1,067**	128	**382**	1,858	**1,450**
	Consolidation	10	**4**	0	**0**	10	**4**
Net financial result		–640	**–581**	0	**22**	–640	**–559**
EBT		**1,473**	**810**	**259**	**607**	**1,732**	**1,417**
Income taxes		–732	**–709**	–21	**9**	–753	**–700**
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Profit or loss attributable to shareholders of METRO AG		631	**3**	228	**615**	859	**619**
Earnings per share in € (basic = diluted)		**1.93**	**0.01**	**0.70**	**1.88**	**2.63**	**1.89**

4. 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
METRO GROUP's financial transactions serve 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 continuously monitors adherence to the authorised limits.

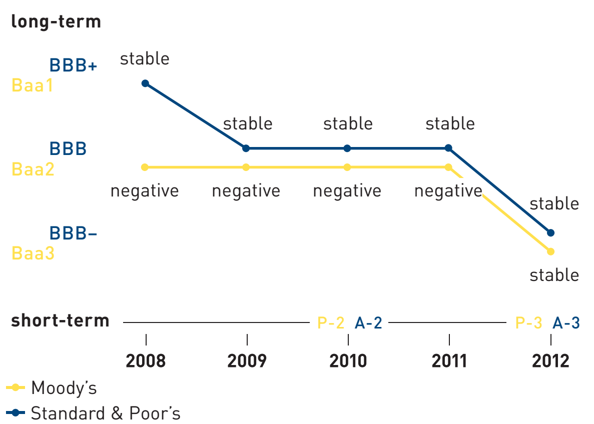
Approval requirement
As a matter of principle, all financial transactions of METRO GROUP companies are conducted with METRO AG. In cases where this is not possible for legal reasons, these transactions are concluded on behalf of the Group company or directly between the Group company and an external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

Audit security
The 2-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.

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 2 leading international rating agencies – Moody's and Standard & Poor's – to continuously analyse METRO GROUP's creditworthiness.

Development of METRO GROUP's long- and short-term ratings over the past 5 years:

Rating development and outlook



Current METRO GROUP ratings awarded by Moody's and Standard & Poor's:

	2012	
Category	Moody's	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 on-going capital market issuance programme with a maximum volume of €6 billion. In 2012, we conducted the following transactions in the context of this programme:

Type of transaction	Issue date	Term	Maturity	Nominal volume	Coupon
Redemption	May 2007	5 years	May 2012	EUR 500 million	4.75% fixed
Redemption	July 2009	3 years	July 2012	RON 100 million	11.50% fixed
New issue	January 2012	8 years	January 2020	EUR 125 million	4.05% fixed
New issue	January 2012	4 years	January 2016	EUR 50 million	3.10% fixed
New issue	February 2012	4 years	February 2016	EUR 60 million	3.00% fixed
New issue	February 2012	6 years	February 2018	EUR 50 million	3.50% fixed
New issue	March 2012	7 years	March 2019	EUR 500 million	3.375% fixed
New issue	March 2012	4 years, 2 months	May 2016	CHF 225 million	1.875% fixed
New issue	July 2012	12 years	July 2024	EUR 51 million	4.00% fixed
New issue	July 2012	10 years	July 2022	EUR 75 million	4.00 % fixed
New issue	July 2012	5 years	July 2017	EUR 50 million	variable spread 1.25%
New issue	August 2012	15 years	August 2027	EUR 50 million	4.00% fixed
New issue	December 2012	5 years, 5 months	May 2018	EUR 500 million	2.25% fixed

At year-end, a total of €4.5 billion was utilised from the on-going issuance programme.

In addition, promissory note loans totalling €550 million were redeemed in 2012, and new promissory note loans totalling €254 million with maturities between 2016 and 2022 were issued.

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 in 2012 was €1,629 million. At the end of the year, the used volume totalled approximately €587 million.

In addition, METRO GROUP used credit lines totalling €1,305 million as of the end of the year.

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 table below.

Unutilised credit lines of METRO GROUP

	31/12/2011			31/12/2012		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Bilateral lines of credit	2,244	309	1,935	**2,075**	**433**	**1,642**
Utilisation	−1,296	−279	−1,017	**−1,305**	**−308**	**−997**
Unutilised bilateral lines of credit	948	30	918	**770**	**125**	**645**
Syndicated lines of credit	2,475	0	2,475	**2,500**	**0**	**2,500**
Utilisation	0	0	0	**0**	**0**	**0**
Unutilised syndicated lines of credit	2,475	0	2,475	**2,500**	**0**	**2,500**
Total lines of credit	4,719	309	4,410	**4,575**	**433**	**4,142**
Total utilisation	−1,296	−279	−1,017	**−1,305**	**−308**	**−997**
Total unutilised lines of credit	**3,423**	**30**	**3,393**	**3,270**	**125**	**3,145**

Investments/divestments

In the financial year 2012, METRO GROUP invested €1.4 billion. This was about €0.7 billion less than in the previous year. The decline is due largely to higher non-cash liabilities from finance leases that were concluded for existing German locations in 2011. In addition, the previous year's total includes about €0.1 billion from the Redcoon acquisition. Aside from these effects, other non-expansion investments, which essentially comprise investments in the modernisation and maintenance of the existing network of locations, were reduced by more than €0.1 billion compared to the previous year. This is due, in particular, to the continued focus on the Company's expense efficiency. This focus also contributed to the fact that, at about €0.6 billion, expansion investments remained at the year-earlier level despite a higher number of 93 new openings compared to 89 new openings in 2011 (both figures excluding satellite stores).

			Change	
€ million	2011	2012	Absolute	%
METRO Cash & Carry	799	**407**	−393	−49.1
Real	166	**115**	−51	−30.9
Media-Saturn	434	**291**	−143	−32.9
Galeria Kaufhof	124	**89**	−35	−28.0
Real Estate	448	**425**	−23	−5.1
Others	124	**111**	−13	−10.7
METRO GROUP	**2,095**	**1,437**	**−658**	**−31.4**

METRO Cash & Carry invested €407 million during the reporting year. The sales line opened 42 new stores around the world, including 4 so-called satellite locations. In addition, METRO Cash & Carry's store network was expanded by 4 stores from a joint venture in Pakistan. The focus of the expansion remained on Eastern Europe and Asia/Africa with 36 new stores. Expansion in the focus countries of China and Russia was continued with 12 and 6 new METRO Cash & Carry stores, respectively. 5 new METRO Cash & Carry stores were opened in India. The sales line added 3 new stores each in Turkey, Vietnam and Spain. The store network in Kazakhstan, Ukraine and Poland was extended by 2 stores each. One new store each was added in Belgium, France, Italy and Serbia. The locations in Pakistan, which were brought into the sales line as part of a joint venture concluded in the 1st quarter of 2012 are not counted as new openings, but are included in the total number of locations. The sales line's 30 Cash & Carry stores in the United Kingdom were sold to Booker Group PLC. In addition, 1 store was closed in Portugal.

Real invested €115 million in the reporting year, €51 million less than in the previous year. One hypermarket each was added to the store network in Russia and Ukraine. 4 Real stores were sold or closed in Germany. In addition, 1 store each was closed in Russia, Romania and Poland.

The investments made by **Media-Saturn** totalled €291 million in the financial year 2012, about one-third below the year-earlier level. The decline in investments was essentially due to investments in the acquisition of the Redcoon group in the previous year and lower investments in the modernisation and expansion of the existing store network. 52 new stores were opened during the reporting year. With 38 store openings, the focus of the expansion remained on Western Europe (including 15 stores in Germany). 14 stores were opened in Eastern Europe, including 9 in Russia, 3 in Turkey and 2 in Poland. 7 and 5 new stores, respectively, were added in Spain and Italy. The Swedish store network was expanded by 4 new stores, while 3 consumer electronics stores each were added in Austria and the Netherlands. 1 new store was opened in Belgium. 3 stores were closed during the reporting year, including 2 in Spain and 1 in Portugal.

Investments at **Galeria Kaufhof** totalled €89 million in the reporting year, a decline of €35 million compared to the previous year. The investments primarily involved concept and modernisation measures. During the financial year 2012, 1 "Wanderzeit" store was opened and 4 department stores were closed.

At €425 million, investments in the **Real Estate** segment were slightly lower than in the previous year. The investments primarily involved the acquisition of real estate in connection with the expansion of the METRO Cash & Carry and Real sales lines.

Investments made in the **"Others"** segment totalled €111 million in the reporting year. The investments were largely attributable to intangible assets and business and office equipment.

Investment obligations incurred for the acquisition of tangible and intangible assets amount to €192 million.

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

From divestments, METRO GROUP received cash and cash equivalents of €817 million, which resulted primarily from 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. 40 "Notes to the cash flow statement".

Consolidated cash flow statement

The cash flow statement serves to identify and display the cash flows that METRO GROUP generated or employed in the financial year from current 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 year, total cash flows of €2,340 million (previous year: €2,092 million) were generated from current operating activities. Investing activities led to cash outflows of €626 million (previous year: €1,072 million). This results in a year-on-year increase in cash flow before financing activities of €694 million to €1,714 million in the financial year 2012. Cash flow from financing activities showed inflows of €279 million (previous year: outflows of €2,441 million).

Additional information is included in the notes to the consolidated financial statements in no. 40 "Notes to the cash flow statement".

Cash flow[1]

€ million	2011	2012
Cash flow from operating activities[2]	**2,092**	**2,340**
Cash flow from investing activities[3]	**−1,072**	**−626**
Cash flow before financing activities	**1,020**	**1,714**
Cash flow from financing activities	**−2,441**	**279**
Total cash flows	**−1,421**	**1,993**
Currency effects on cash and cash equivalents	−23	**17**
Change in cash and cash equivalents	**−1,444**	**2,010**

[1] Abridged version. The complete version is shown in the consolidated financial statements.
[2] Adjustment of previous year (see chapter "Notes to the Group accounting principles and methods")
[3] Adjustment of previous year by the "Change in cash and cash equivalents due to first-time consolidation of companies"

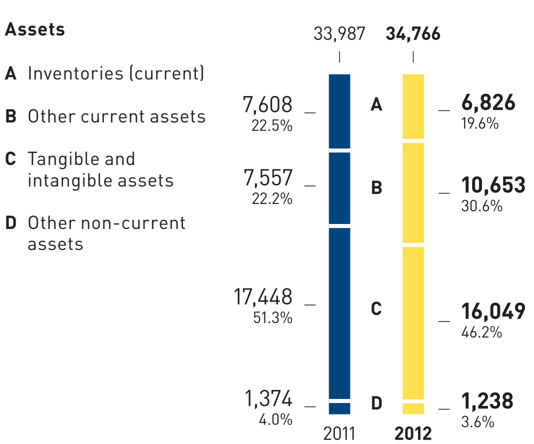
Capital structure

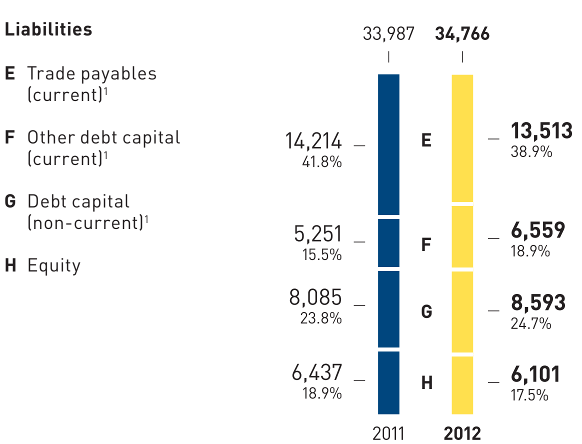
At the end of 2012, METRO GROUP's balance sheet showed equity of €6,101 million compared to €6,437 million in the previous year. Reserves retained from earnings sank by €340 million. This reduction was largely due to the dividend payment for 2011 of €442 million. The equity ratio declined by 1.4 percentage points to 17.5 percent. The share of reserves retained from earnings in equity totalled 43.4 percent compared to 46.4 percent in the previous year. Non-controlling interests increased by €4 million to €77 million. This increase was largely due to profits attributable to non-controlling interests (€102 million) and dividends (€-97 million).

€ million	Note no.	31/12/2011	31/12/2012
Equity	31	**6,437**	**6,101**
Share capital		835	**835**
Capital reserve		2,544	**2,544**
Reserves retained from earnings		2,985	**2,645**
Non-controlling interests		73	**77**

Net debt after netting of cash and cash equivalents according to the balance sheet as well as monetary investments with borrowings, including finance leases, totalled €3,245 million compared to €4,075 million in 2011. Non-current borrowings increased by €901 million to €6,736 million.

Capital structure of METRO GROUP
€ million





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

Current borrowings increased by €208 million to €1,814 million. During the financial year 2012, cash and cash equivalents increased by €1,944 million to €5,299 million.

€ million	31/12/2011	31/12/2012
Cash and cash equivalents according to the balance sheet	3,355	**5,299**
Monetary investments > 3 months < 1 year[1]	11	**6**
Borrowings (incl. finance leases)[2]	7,441	**8,550**
Net debt	**4,075**	**3,245**

[1] Shown in the balance sheet under "other financial and non-financial assets (current)"
[2] Revised terminology (see chapter "Notes to the Group accounting principles and methods")

The debt capital ratio increased by 1.4 percentage points to 82.5 percent. Current liabilities accounted for 70.0 percent of total debt compared with 70.7 percent in the previous year.

Non-current liabilities rose from €901 million to €6,736 million. This increase is largely attributable to bond issues with a volume of €1.7 billion. This was netted against maturity-induced reclassifications to current borrowings as well as reclassifications of liabilities from finance leases to "liabilities related to assets held for sale". As of 31 December 2012, current borrowings totalled €1,814 million (previous year: €1,606 million). The increase is largely attributable to the issuance of commercial papers in the amount of €587 million and reclassifications from non-current borrowings. This was netted against redemptions of note loans totalling €550 million. Due mostly to reclassifications to "liabilities related to assets held for sale", trade liabilities declined by €701 million to €13,513 million. In addition, this decline can be attributed to inventory optimisation measures at METRO Cash & Carry. The decline in income tax liabilities resulted primarily from tax payments made in the context of completed tax audits as well as a real estate transaction closed in the previous year. "Liabilities related to assets held for sale" totalled €900 million and resulted largely from the divestment of Real's Eastern European business.

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.	31/12/2011	31/12/2012
Non-current liabilities		**8,085**	**8,593**
Provisions for pensions and similar commitments	32	1,028	**1,047**
Other provisions[1]	33	463	**424**
Borrowings[2]	34, 36	5,835	**6,736**
Other financial and non-financial liabilities[1, 2]	34, 37	602	**227**
Deferred tax liabilities	24	157	**159**
Current liabilities		**19,465**	**20,072**
Trade liabilities[1]	34, 35	14,214	**13,513**
Provisions[1]	33	546	**644**
Borrowings[2]	34, 36	1,606	**1,814**
Other financial and non-financial liabilities[1, 2]	34, 37	2,705	**2,910**
Income tax liabilities	34	394	**291**
Liabilities related to assets held for sale	30	0	**900**

[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")

Additional information on the development of liabilities is shown in the notes to the consolidated financial statements in the numbers listed in the table.

Asset position

In the financial year 2012, total assets increased by €779 million to €34,766 million. Non-current assets declined from €1,535 million during 2012 to €17,287 million. Current assets increased from €15,165 million to €17,479 million.

Non-current assets

€ million	Note no.	31/12/2011	31/12/2012
Non-current assets		**18,822**	**17,287**
Goodwill	17, 18	4,045	**3,780**
Other intangible assets	17, 19	454	**407**
Tangible assets	17, 20	12,661	**11,324**
Investment properties	17, 21	209	**199**
Financial investments[1]	17, 22	76	**247**
Investments accounted for using the equity method[2]	17, 22	3	**92**
Other financial and non-financial assets[1]	23	470	**500**
Deferred tax assets	24	904	**738**

[1] Revised terminology (see chapter "Notes to the Group accounting principles and methods")
[2] Included in financial investments in the previous year

Goodwill declined by €265 million to €3,780 million. This decline resulted primarily from the reclassification of goodwill of Real Poland and Real Russia to "assets held for sale" as well as goodwill impairments at METRO Cash & Carry totalling €70 million. The decline in tangible assets by €1,337 million can also be attributed largely to the reclassification of assets to "assets held for sale". In addition, real estate assets totalling €257 million were disposed of. The increase in non-current financial assets by €171 million resulted primarily from the addition of interests in Booker Group PLC totalling €190 million in the context of the sale of MAKRO Cash & Carry in the United Kingdom. In addition, investments of €90 million accounted for using the equity method were added during the reporting year. These essentially relate to the remaining interests in a French real estate fund following deconsolidation as well as to investments in a Pakistani real estate company. The decline in deferred tax assets resulted primarily from on-going carry-forwards of temporary differences as well as the disposal of real estate assets. In addition, deferred tax assets were deleted from the accounts in connection with the planned disposal of the international Real subsidiaries and the deconsolidated activities of MAKRO Cash & Carry in the United Kingdom.

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.	31/12/2011	31/12/2012
Current assets		**15,165**	**17,479**
Inventories	25	7,608	**6,826**
Trade receivables	26	551	**568**
Financial investments[1]		119	**22**
Other financial and non-financial assets[1]	23	2,882	**2,886**
Entitlements to income tax refunds		431	**347**
Cash and cash equivalents	29	3,355	**5,299**
Assets held for sale	30	219	**1,531**

[1] Revised terminology (see chapter "Notes to the Group accounting principles and methods")

Inventories declined by €782 million to €6,826 million. This decline is largely due to the reclassification of inventories to "assets held for sale". In addition, inventory optimisation at METRO Cash & Carry resulted in a decline in inventories. Current financial investments declined by €97 million to €22 million, due largely to the divestment of fund investments. The decline in income tax refund claims by €84 million to €347 million is mainly the result of realised withholding tax credits. The increase in cash and cash equivalents by €1,944 million compared to the previous year also results from the switch to a more long-term-orientated refinancing strategy and premature refinancing of financings due in 2013. The increase in "assets held for sale" from €219 million to €1,531 million was largely attributable to the divestment of Real's Eastern European business.

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.

5. Employees

METRO GROUP aims to secure its long-term positive earnings development. To this end, we need employees and managers who bring our strategy to life on the job each day. They must be people who are literally "Made to Trade.", that is they must think like entrepreneurs and take responsibility into their own hands. Because our need for motivated and qualified employees will continue to grow as we carry out our growth strategy and expansion, we employ far-sighted human resources policies: we systematically invest in individual initial and ongoing training programmes, our working conditions and our management culture. Our objective is to attract the very best employees and managers to our Company, 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.

Development of employee numbers

In the financial year 2012, METRO GROUP employed an average of 248,637 full-time equivalents (previous year: 249,953). This is a decrease of 0.5 percent from the previous year. The large majority of our employees work outside our home market of Germany. In Western Europe (excluding Germany), Eastern Europe and Asia/Africa, we had 159,344 full-time equivalents, 0.4 percent more than during the previous year. A major reason for this slight increase was our international expansion effort. On average, we employ between 50 and 250 people at each new location – depending on the sales format. In Germany, by contrast, the number of full-time equivalents fell by 2.1 percent to 89,293.

In 2012, our sales line METRO Cash & Carry employed an annual average of 114,045 full-time equivalents, an increase of 1.3 percent over the previous year. A key reason for this rise was the sales line's international expansion. At Real, the number of full-time equivalents fell by 3.9 percent to 50,394. Media-Saturn employed an annual average of 56,633 full-time equivalents in 2012, a drop of 1.7 percent compared with the previous year. At Galeria Kaufhof, the number of full-time equivalents decreased by 3.3 percent to 17,916 in 2012 compared with the previous year. The reasons for this decline included the closure of 4 stores in mid-2012. In the real estate segment, we employed 1,476 full-time equivalents, 21.7 percent more than in the previous year. This jump primarily resulted from the bundling of our real estate know-how in METRO PROPERTIES and the transfer of METRO Cash & Carry employees to this area. The number of full-time equivalents in the "others" segment rose by 7.3 percent to 8,173.

Development of employee numbers of METRO GROUP
annual average

Workforce by headcount

	Germany	International	Total
2011	109,099	171,757	280,856
2012	**106,666**	**172,145**	**278,811** (−0.7%)

Workforce by full-time equivalents

	Germany	International	Total
2011	91,189	158,764	249,953
2012	**89,293**	**159,344**	**248,637** (−0.5%)

Development of personnel expenses

Our personnel expenses increased by 2.9 percent to €7.5 billion (previous year: €7.3 billion) primarily as a result of restructuring measures. Of this total, €6.1 billion was attributable to wages and salaries, including wage taxes and employees' contribution 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 2012, 55,931 employees in Germany took advantage of these benefits (previous year: 57,462 employees). This represents a share of 54.2 percent (previous year: 54.2 percent).

Additional information about personnel expenses is available in the notes to the consolidated financial statements in no.15 "Personnel expenses".

Development of employee numbers by country and segment
average full-time equivalents[1]

	METRO Cash & Carry		Real		Media-Saturn		Galeria Kaufhof		Real Estate		Others		METRO GROUP	
	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Germany	**13,952**	**13,468**	**29,932**	**29,186**	**23,562**	**23,306**	**17,478**	**16,899**	**626**	**633**	**5,639**	**5,801**	**91,189**	**89,293**
Austria	1,876	**1,864**			2,300	**2,287**							4,176	**4,150**
Belgium	2,815	**2,790**			1,420	**1,376**	1,044	**1,017**					5,279	**5,183**
Denmark	490	**502**			25	**29**							515	**531**
France	8,430	**8,426**			485	**13**							8,914	**8,439**
Italy	3,977	**4,046**			6,294	**6,266**							10,272	**10,312**
Luxembourg					112	**119**							112	**119**
Netherlands	2,948	**2,753**			2,329	**2,514**					8	**9**	5,286	**5,276**
Norway					0	**4**							0	**4**
Portugal	1,455	**1,267**			702	**486**							2,157	**1,753**
Spain	3,409	**3,480**			5,029	**4,790**							8,437	**8,270**
Sweden					1,497	**1,534**							1,497	**1,534**
Switzerland					1,239	**1,217**					84	**87**	1,323	**1,304**
United Kingdom	2,706	**1,212**			2	**3**							2,708	**1,215**
Western Europe (excl. Germany)	**28,106**	**26,340**			**21,433**	**20,637**	**1,044**	**1,017**			**92**	**96**	**50,675**	**48,090**
Bulgaria	2,523	**2,470**											2,523	**2,470**
Croatia	1,157	**1,143**											1,157	**1,143**
Czech Republic	3,474	**3,383**											3,474	**3,383**
Greece	1,098	**1,041**			860	**700**							1,958	**1,741**
Hungary	2,701	**2,549**			1,358	**1,167**			63	**62**			4,123	**3,779**
Kazakhstan	1,154	**1,452**							1	**1**			1,155	**1,453**
Moldova	663	**716**											663	**716**
Poland	6,391	**6,321**	9,652	**8,746**	4,907	**4,642**			317	**386**	165	**117**	21,432	**20,211**
Romania	5,535	**5,484**	6,343	**5,842**					1	**1**	430	**525**	12,309	**11,852**
Russia	15,968	**17,444**	4,350	**4,434**	3,338	**3,747**			89	**275**	647	**801**	24,393	**26,702**
Serbia	1,655	**1,554**											1,655	**1,554**
Slovakia	1,468	**1,393**											1,468	**1,393**
Turkey	3,822	**4,297**	1,735	**1,637**	1,418	**1,601**			117	**118**	38	**24**	7,129	**7,676**
Ukraine	6,395	**6,102**	419	**549**							8	**8**	6,822	**6,659**
Eastern Europe	**54,005**	**55,349**	**22,499**	**21,208**	**11,882**	**11,857**			**587**	**843**	**1,287**	**1,475**	**90,260**	**90,732**
China	8,234	**9,018**			708	**833**					576	**534**	9,518	**10,385**
Egypt	600	**537**											600	**537**
India	2,136	**2,937**									20	**267**	2,156	**3,204**
Indonesia	11	**25**											11	**25**
Japan	816	**745**											816	**745**
Pakistan	1,404	**1,803**											1,404	**1,803**
Vietnam	3,323	**3,819**											3,323	**3,819**
Asia/Africa	**16,524**	**18,888**			**708**	**833**					**596**	**801**	**17,828**	**20,522**
USA[2]	**1**	**4**											**1**	**4**
International	**98,635**	**100,577**	**22,499**	**21,208**	**34,023**	**33,327**	**1,044**	**1,017**	**587**	**843**	**1,975**	**2,372**	**158,764**	**159,344**
METRO GROUP	**112,587**	**114,045**	**52,431**	**50,394**	**57,585**	**56,633**	**18,522**	**17,916**	**1,213**	**1,476**	**7,614**	**8,173**	**249,953**	**248,637**

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

Development of employee numbers by country and segment
by headcount as of closing date 31 December

	METRO Cash & Carry		Real		Media-Saturn		Galeria Kaufhof		Real Estate		Others		METRO GROUP	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Germany	**16,295**	**15,520**	**38,805**	**37,810**	**26,134**	**26,676**	**22,346**	**21,582**	**656**	**663**	**5,942**	**5,765**	**110,178**	**108,016**
Austria	2,123	**2,088**			2,652	**2,761**							4,775	**4,849**
Belgium	3,681	**3,601**			1,558	**1,541**	1,422	**1,357**					6,661	**6,499**
Denmark	698	**768**			26	**28**							724	**796**
France	8,846	**8,816**			12	**13**							8,858	**8,829**
Italy	4,647	**4,732**			6,993	**6,918**							11,640	**11,650**
Luxembourg					108	**137**							108	**137**
Netherlands	5,080	**4,631**			4,337	**4,612**					9	**10**	9,426	**9,253**
Norway					0	**2**							0	**2**
Portugal	1,504	**1,213**			693	**515**							2,197	**1,728**
Spain	3,860	**4,030**			6,440	**6,034**							10,300	**10,064**
Sweden					2,168	**2,159**							2,168	**2,159**
Switzerland					1,430	**1,351**					94	**90**	1,524	**1,441**
United Kingdom	3,281	**0**			3	**3**							3,284	**3**
Western Europe (excl. Germany)	**33,720**	**29,879**			**26,420**	**26,074**	**1,422**	**1,357**			**103**	**100**	**61,665**	**57,410**
Bulgaria	2,581	**2,485**											2,581	**2,485**
Croatia	1,172	**1,116**											1,172	**1,116**
Czech Republic	3,723	**3,489**											3,723	**3,489**
Greece	1,092	**1,061**			807	**795**							1,899	**1,856**
Hungary	2,781	**2,653**			1,388	**1,139**			60	**66**			4,229	**3,858**
Kazakhstan	1,280	**1,361**							7	**6**			1,287	**1,367**
Moldova	723	**712**											723	**712**
Poland	6,829	**6,444**	10,305	**9,270**	4,955	**4,787**			319	**412**	148	**128**	22,556	**21,041**
Romania	5,615	**5,440**	6,422	**5,691**					1	**0**	468	**559**	12,506	**11,690**
Russia	18,054	**19,286**	4,690	**4,526**	3,615	**4,219**			96	**374**	789	**822**	27,244	**29,227**
Serbia	1,622	**1,540**											1,622	**1,540**
Slovakia	1,474	**1,387**											1,474	**1,387**
Turkey	4,117	**4,407**	1,858	**1,767**	1,593	**1,728**			124	**117**	35	**18**	7,727	**8,037**
Ukraine	7,144	**6,789**	424	**840**							8	**8**	7,576	**7,637**
Eastern Europe	**58,207**	**58,170**	**23,699**	**22,094**	**12,358**	**12,668**			**607**	**975**	**1,448**	**1,535**	**96,319**	**95,442**
China	8,492	**9,995**			992	**786**					572	**524**	10,056	**11,305**
Egypt	590	**469**											590	**469**
India	2,729	**3,119**									75	**402**	2,804	**3,521**
Indonesia	43	**0**											43	**0**
Japan	1,077	**1,011**											1,077	**1,011**
Pakistan	1,388	**1,938**											1,388	**1,938**
Vietnam	3,805	**3,872**											3,805	**3,872**
Asia/Africa	**18,124**	**20,404**			**992**	**786**					**647**	**926**	**19,763**	**22,116**
USA[1]	**4**	**5**											**4**	**5**
International	**110,055**	**108,458**	**23,699**	**22,094**	**39,770**	**39,528**	**1,422**	**1,357**	**607**	**975**	**2,198**	**2,561**	**177,751**	**174,973**
METRO GROUP	**126,350**	**123,978**	**62,504**	**59,904**	**65,904**	**66,204**	**23,768**	**22,939**	**1,263**	**1,638**	**8,140**	**8,326**	**287,929**	**282,989**

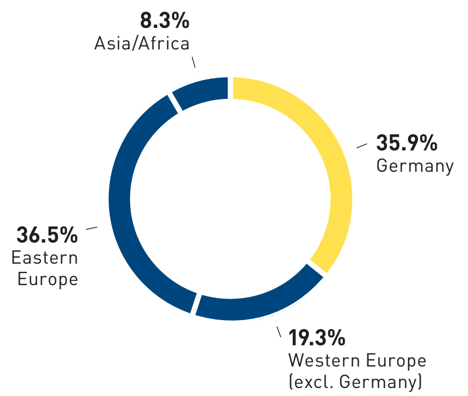
[1] US employees are employees of the Boston Trading Office (BTO). The trading office is responsible for seafood procurement.

Development of employee numbers by country and segment
full-time equivalents as of closing date 31 December[1]

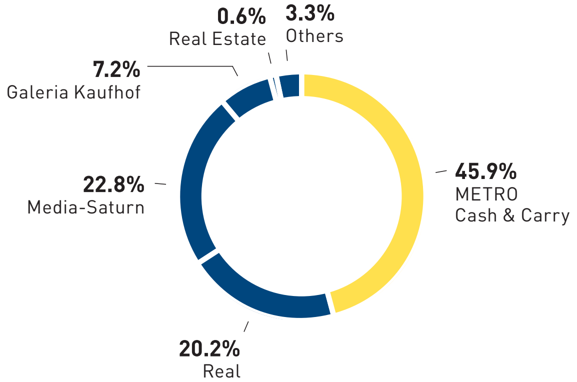
	METRO Cash & Carry		Real		Media-Saturn		Galeria Kaufhof		Real Estate		Others		METRO GROUP	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Germany	**14,015**	**13,355**	**29,781**	**29,077**	**23,479**	**23,692**	**18,157**	**17,471**	**618**	**624**	**5,764**	**5,701**	**91,814**	**89,920**
Austria	1,897	**1,877**			2,310	**2,375**							4,207	**4,252**
Belgium	2,990	**2,939**			1,455	**1,434**	1,100	**1,042**					5,545	**5,415**
Denmark	486	**526**			26	**28**							512	**554**
France	8,480	**8,465**			12	**13**							8,492	**8,478**
Italy	4,067	**4,140**			6,497	**6,422**							10,564	**10,562**
Luxembourg					105	**131**							105	**131**
Netherlands	3,093	**2,713**			2,429	**2,556**					8	**9**	5,530	**5,278**
Norway					0	**2**							0	**2**
Portugal	1,432	**1,153**			653	**485**							2,085	**1,638**
Spain	3,492	**3,634**			5,521	**5,141**							9,012	**8,775**
Sweden					1,689	**1,642**							1,689	**1,642**
Switzerland					1,299	**1,205**					88	**83**	1,386	**1,288**
United Kingdom	2,527	**0**			2	**3**							2,529	**3**
Western Europe (excl. Germany)	**28,464**	**25,448**			**21,997**	**21,437**	**1,100**	**1,042**			**96**	**92**	**51,657**	**48,018**
Bulgaria	2,532	**2,429**											2,532	**2,429**
Croatia	1,164	**1,101**											1,164	**1,101**
Czech Republic	3,453	**3,332**											3,453	**3,332**
Greece	1,092	**955**			750	**723**							1,842	**1,678**
Hungary	2,589	**2,528**			1,362	**1,115**			60	**66**			4,011	**3,710**
Kazakhstan	1,277	**1,361**							1	**1**			1,278	**1,362**
Moldova	723	**712**											723	**712**
Poland	6,419	**6,106**	9,471	**8,511**	4,893	**4,736**			318	**411**	141	**121**	21,242	**19,886**
Romania	5,593	**5,424**	6,321	**5,622**					1	**0**	468	**559**	12,384	**11,605**
Russia	17,883	**19,055**	4,545	**4,404**	3,597	**4,198**			93	**369**	781	**808**	26,899	**28,835**
Serbia	1,622	**1,540**											1,622	**1,540**
Slovakia	1,453	**1,378**											1,453	**1,378**
Turkey	4,115	**4,405**	1,672	**1,611**	1,590	**1,728**			124	**117**	35	**18**	7,536	**7,879**
Ukraine	6,285	**6,294**	424	**840**							8	**8**	6,717	**7,142**
Eastern Europe	**56,199**	**56,619**	**22,433**	**20,989**	**12,192**	**12,501**			**597**	**964**	**1,433**	**1,514**	**92,854**	**92,586**
China	8,484	**9,943**			992	**786**					566	**518**	10,042	**11,247**
Egypt	590	**469**											590	**469**
India	2,724	**3,108**									41	**401**	2,765	**3,509**
Indonesia	43	**0**											43	**0**
Japan	808	**727**											808	**727**
Pakistan	1,372	**1,889**											1,372	**1,889**
Vietnam	3,704	**3,770**											3,704	**3,770**
Asia/Africa	**17,726**	**19,905**			**992**	**786**					**607**	**919**	**19,325**	**21,610**
USA[2]	**4**	**4**											**4**	**4**
International	**102,393**	**101,976**	**22,433**	**20,989**	**35,181**	**34,724**	**1,100**	**1,042**	**597**	**964**	**2,136**	**2,525**	**163,840**	**162,219**
METRO GROUP	**116,408**	**115,331**	**52,214**	**50,065**	**58,660**	**58,416**	**19,257**	**18,513**	**1,215**	**1,588**	**7,900**	**8,225**	**255,654**	**252,138**

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

Employees by region
full-time equivalents



Employees by segment
full-time equivalents



Far-sighted human resources policies

Our Company's future largely depends 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 resources policies give us a considerable edge. We have set the following objectives:

- Through systematic executive development, we ensure that the skills and expertise of our leading employees are methodically honed to meet the strategic goals of METRO GROUP. By taking this approach, we are simultaneously preparing the next generation of managers for their future role in our Company.
- With our training opportunities, we have assumed a position of leadership in the retail industry. We raise young people's enthusiasm for the multifaceted opportunities offered by our industry at an early stage in their lives and teach the necessary retail expertise to future skilled workers.
- By creating an attractive working environment, we promote workplace diversity so that we can profit even more from the multifaceted strengths, ideas, interests and cultural backgrounds of our employees.
- We are fuelling cultural change within METRO GROUP in order to systematically enable our Company to meet the constantly changing expectations and shopping habits of our customers.
- We are strengthening our employer brand. As a result, we clearly set ourselves apart from the competition.

The human resources policies of METRO GROUP are designed to promote the long-term commitment of qualified employees to our Company. During the reporting year, average job tenure rose by 0.1 to 8.7 years. The Group-wide turnover rate totalled 17.9 percent (previous year: 18.0 percent). In Germany, the rate was 8.1 percent (previous year: 8.5 percent).

An important instrument used to determine our employees' satisfaction with and loyalty to our Company is our global employee survey that we regularly conduct. 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. The action plan resulting from these efforts is subjected to regular progress reviews. In the financial year 2012, the survey was conducted for the fifth time. A total of 92 percent of employees participated in the survey (previous year: 81 percent). Drawing on the survey's results, we have set the goal in 2013 of increasing the effectiveness of the follow-up process, promoting the use of innovative ideas and encouraging the appreciation and recognition of our employees.

Independent studies have confirmed the quality of our human resources policies. In one reflection of this, the independent CRF Institute certified us as a top employer in 2012. METRO GROUP also ranked among Europe's 100 most attractive employers in a survey conducted by Trendence, a European research institute.

Further training and succession planning

At METRO GROUP, systematic executive development is a central responsibility of the strategic 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 where they work. Our career planning processes also enable us to identify the right candidates for key positions in the Company, support them and thus assure successor planning. In the reporting year, 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 82 percent.

Individual assessment and development

Once a year, we conduct individual performance and potential assessments with our executives and employees in key positions. The objective is to be able to better estimate progress and abilities – in terms of the core skills outlined in our executive model. During this performance evaluation, employees and their supervisors jointly create a subsequent career development plan and determine targeted measures. This process ensures that we identify and support suitable candidates for key positions at an early stage.

Tailor-made initial and ongoing training

At METRO GROUP, we largely meet our need for skilled employees by conducting our own training programmes. In 2012, the number of trainees in our Company around the world totalled 9,296, a decrease of 6.0 percent. In Germany, we hired 2,503 new trainees during the reporting year, an increase of about 10 percent compared with 2011. In Germany, the number of trainees in 25 training occupations totalled 6,953, a decrease of 223 trainees since the previous year. With a share of 7.8 percent (previous year: 7.9 percent), we continue to be one of Germany's largest providers of occupational training. In the reporting year, 1,892 of our trainees completed their programmes. This amounts to a success rate of 95 percent. We offered 61 percent of them an employment contract upon completion.

The high quality of our training programmes is demonstrated by the awards that our sales lines have received. In 2012, the magazine "Lebensmittel Praxis" named Real Germany as trainer of the year in the category of retail headquarters.

Qualification programmes

The Company's international expansion and new sales concepts make our industry extremely diverse. But they also mean that the demands placed on our employees are in constant flux. As part of our human resources policies, we provide comprehensive qualification programmes designed to develop and hone the necessary skills. For store employees, we primarily use computer-based learning models, or e-learning. This form of training is not tied to a particular time or location. Subjects include customer consulting, sales, laws governing the protection of minors and product knowledge.

METRO University is the central platform for the training and qualification of our current and future managers. It brings together the professional development programmes that we offer at various international locations. Our instructors are drawn in part from the ranks of our own mangers. The METRO University also teaches knowledge with the assistance of highly respected external partners, including Institut Européen d'Administration des Affaires (INSEAD) in Fontainebleau, France, and the International Institute for Management Development (IMD) in Lausanne, Switzerland.

Diversity and inclusion

METRO GROUP is one of the leading international retail and wholesale companies. Our employees are just as diverse as our customers, stores and suppliers are. During the reporting year, people from 175 countries worked for METRO GROUP. In management levels 1 through 3 – that is, Management Board/ General Management, divisional management, main departmental or departmental management and store management – managers from 58 countries work for our Company. The average age of our workforce was 37.9 (previous year: 37.9). At the same time, we also open the way for older employees to join the working world. In 2012, METRO GROUP hired 774 employees in the over-50s age group in Germany. Internationally, the total was 1,015 employees. The share of members of the workforce who are 50 years old or older totalled 18.1 percent (previous year: 17.5 percent). In Germany, they made up 31.8 percent of the workforce (previous year: 30.3 percent). During the reporting year, we also employed 5,832 people with recognised severe disabilities or the equivalent in Germany. 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 program makes it possible for young people with disabilities to receive occupational training.

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 "Charta of Diversity" – one of Germany's most widely supported initiatives on this issue with 1,300 backers. In the reporting year, we also joined the association that goes by the same name. As a project supporter, we intend to further integrate active diversity management – that is, the promotion of diversity within the Company – into the work world.

Equal opportunity on the job

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 through 3. We aim to reach a share of 20 percent by the end of 2013. The share of women in management positions is to reach 25 percent by the end of 2015. We will keep these goals in mind while recruiting and in succession planning.

The share of women in the entire workforce was 55.3 percent in 2012 (previous year: 55.6 percent). In management positions in the levels 1 through 3, 19.7 percent of managers were female (previous year: 19.2 percent). The share of women in management positions is particularly high outside Germany. Internationally, 24.1 percent of managers are female.

In the reporting year, 2 employee initiatives focusing on the issues of "women" and "gender" – that is, social or psychological gender roles – were launched. The initiatives help to publicise the commitment of our employees to furthering the cause of diversity. They also help female managers to create and expand their professional and personal networks. METRO GROUP welcomes these initiatives and is interested in seeing the creation of other employee networks committed to the issue of diversity management.

Work-life balance

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

Our Group headquarters in Düsseldorf opened its third childcare centre for employees in February 2012. The headquarters now has 238 full-time slots for children ranging from 4 months old to the age when they enter primary school. One special feature of "METRO-Sternchen" is its bilingual concept: The staff speak German and English to the children. In 2012, we also offered a holiday childcare programme at our company headquarters. More than 173 children of employees took part.

The share of part-time employees at METRO GROUP dipped to 27.5 percent in 2012 (previous year: 28.2 percent). In Germany, 44.5 percent of our staff works part time (previous year: 44.3 percent).

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.

By offering such programmes as back exercise training, physical fitness courses, corporate sports activities, nutrition tips, ergonomic consulting services and stress prevention training, we also help our employees to maintain their physical and mental capabilities throughout their working lives.

Changing corporate cultures

In its strategy, METRO GROUP has set the goal of markedly raising added value for its customers. To this end, 5 focal topics form the foundation of this effort: transform, grow, improve, expand and innovate. The redirection of our business 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 adjusted.

The pacesetter in this effort is METRO Cash & Carry, the largest sales line at METRO GROUP. During conferences held in 2012, members of the Company's management drew up new guidelines for all employees and managers. They are:

— Customer orientation
— Global entrepreneurship
— Success through exceptional work
— Trust in our employees
— Authentic leadership
— Sustainability

During the reporting year, we began to integrate these guidelines into our professional development efforts for executives as a way of effectively supporting the Company's new direction.

In the mid-term, METRO Cash & Carry intends to incorporate all employees in the process – beginning with executives in management levels 1 through 3 and extending to employees in stores and administrative positions. For this purpose, the sales line is organising working groups that are exploring the issue of "managing for more growth". In these groups, participants are learning how to specifically apply the new guidelines to their everyday positions, among other things. The working groups are also designed to further promote the change in corporate culture – with the aim of creating a transparent company that is open to change. In the reporting year, more than 2,600 employees from 22 countries as well as 3,250 executives from 23 countries took part in the working groups.

Additional information about METRO GROUP's strategy is available on pages 41 to 42. The strategic direction of METRO Cash & Carry is discussed on pages 42 to 44.

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 year designed to sharpen our profile as an employer brand and to position METRO GROUP among relevant target groups. As part of this effort, we conducted a national ad campaign in Germany that highlighted our position as one of the country's largest occupational trainers. The aim was to increase our name recognition among pupils.

Our sales lines also employ personnel marketing as a way of exciting young people about a career in retailing. Real, for instance, provides schools with information about conferences designed to help pupils to select an occupation. The sales line also takes part in national action days like Girls' Day and Boys' Day that give young people a chance to look behind the scenes for a day. Real is the first retail company to join the initiative "Wissensfabrik – Unternehmen für Deutschland" (Knowledge Factory – Companies for Germany). This effort focuses on specific projects in the areas of education and entrepreneurship that are aimed at schools and kindergartens.

To reach future managers, METRO GROUP collaborates with selected universities, universities of applied science and student organisations. 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. For years, we have had a booth at the annual College Graduate Congress in Cologne – Germany's largest career fair for college graduates. Here, we inform them about our Company and its multifaceted entry-level and career opportunities. Last year in Cologne, Media-Saturn presented its new approach to personnel marketing for the first time. Under the motto "Forget about business as usual – Join the #1", the sales line demonstrated that it is not a run-of-the-mill company. 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". Here, we provide interested young people with mentors from our Company and offer exclusive events as well as internship and job opportunities.

6. Innovation management

Unlike industrial companies, METRO GROUP as a retail and wholesale company does not conduct research and development in the strict sense of the term. For this reason, there are no important expenses to report.

But we do practise innovation management in order to exploit new concepts and technologies for the good of our sales lines and companies. By taking this approach, we intend to provide customers with further added value – through new business models, attractive product ranges and improved processes. Furthermore, innovations help us to achieve our sustainability goals. As a result, innovation management does its part to fuel positive, long-range growth in sales and earnings at METRO GROUP.

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 41 to 53.

Networked thinking

Customer centricity creates a critical competitive edge in retailing: those companies that have a deep understanding of their customers' needs, shopping habits and lifestyles are the only ones that can offer the right products and services to these individuals. For this reason, our innovation management is designed to identify technological and social trends – even outside our core business – at an early stage, to assess their impact on retailing and to devise specific solutions for our Company.

In the process, we systematically tap the know-how and experience of our own staff working in all divisions of the Company. We also maintain a close partnership and a structured network with external companies and organisations to keep track of the increasingly dynamic development of products and services.

Teaming up with internal and external partners, we refine specific solutions for our own retail business and test them under real business conditions. If the innovations live up to our expectations, we will introduce them step by step in our stores. This process is always carried out in line with the specific needs of our sales lines.

METRO GROUP Future Store Initiative

One example of a networked partnership with external partners is our METRO GROUP Future Store Initiative that we set up in 2002. Today, this alliance includes more than 75 companies and organisations from the scientific community, the consumer goods industry as well as the service and the information and communication technology sectors. We jointly test innovative solutions designed to meet the challenges of our operational business. The ultimate aim of these partnerships, which we continued in the reporting year, is creating added value for the customer.

A central testing platform for the initiative is our Future Store in Tönisvorst, a city in the western German state of North Rhine-Westphalia. This store is a Real hypermarket where the sales line has been testing new concepts and technologies under real-world conditions with the assistance of the initiatives' partners since 2008. Innovations that prove themselves in the Future Store are then introduced step by step at Real. Away from their work with the Future Store, our alliance partners also test new technologies and concepts under real-world conditions. These concepts include

- a digital management system for product shelves,
- an IT platform for customer coupons,
- a checkout system for restaurant customers and
- the use of Radio Frequency Identification (RFID) on the product level.

Digital management and marketing system

To support product introduction and provide customers with increased orientation in the store, the partners of the METRO GROUP Future Store Initiative have developed the Shelf-Vision Concept. This concept combines digital multimedia labels and flat-screen monitors that can be attached to chilled display cases. In addition to static product information and QR codes, short videos can be shown on the labels as a way of drawing customers' attention to certain products. The monitors are used to thematically and optically organise the product groups. Real began testing the Shelf-Vision Concept at the Future Store in December 2012.

Electronic coupon solution

As part of the Future Store Initiative, Real has also introduced a so-called validation platform for customer coupons. Essentially, this is a computer system to which all checkout counters in the hypermarkets are connected in order to confirm the validity of coupons. Thanks to this application, digital coupons can be offered. Using their smartphones, Real customers can select the desired coupon and redeem it at the checkout counter. They do not have to carry any paper coupons in order to save money while shopping.

While the validation platform was being introduced, the Company carried out a standardisation programme involving digital coupon management that has been embraced by the committees of the responsible international organisation, GS1. As a result, the sales lines of METRO GROUP no longer have to use the patented systems of external companies.

Real is also using another new type of coupon system for reverse vending machines used by customers to return empty containers. The benefit: along with the container refund receipt, customers receive coupons right before they start shopping. As a result, they can be targeted more systematically.

Technical support for professional customers

A modular software package specifically designed to meet the needs of the professional customers of METRO Cash & Carry has been developed by our internal IT service provider, METRO SYSTEMS and external partners. The components of this business suite are an iPad checkout system and a customer loyalty application.

The checkout application known as METRO POS is designed in particular for the young generation of restaurant operators who are interested in trying new technologies. A restaurant's wait staff will use an iPad to take customers' orders. The device then wirelessly transmits the information to the checkout system. A ticket is automatically printed for each order, and the kitchen staff can then use it to prepare the order. The solution helps to streamline order and payment processes and to significatly cut waiting times. In peak times, the kitchen's work can be reduced by up to 80 percent. During the reporting year, new functions were added to METRO POS, which is available in 3 versions. The application is already being used in several restaurants. The official product introduction was made in September 2012 at the HOGATEC trade fair in Essen.

With the second module of the business suite, the professional customers of METRO Cash & Carry can design their own customer loyalty programmes. Restaurant and coffee bar owners can use the software to issue their own coupons or discount vouchers that can be redeemed via smartphone. This module was successfully introduced in a test project in 2012 conducted in conjunction with a Düsseldorf restaurant.

Radio Frequency Identification on products

Our Company is one of the retailing pioneers in the use of Radio Frequency Identification (RFID). With this technology, product movements in the supply chain can be automatically recorded and then wirelessly transmitted to IT systems. Up to now, we have primarily used RFID on such carriers as pallets. During the reporting year, we tested the technology on the product level as well. At MAKRO Cash & Carry Netherlands, transponders were attached to individual products from selected partial assortments. Transponders are tiny computer chips equipped with antennae that can be read without physical or visual contact to scanners. In this test, the technology was used to secure the products and optimise inventory management. During the test, the technical applicability and the commercial strengths were demonstrated in a productive environment. Using these findings as our basis, we will determine in 2013 the extent to which the system can be introduced nationally. A similar test was conducted in 2012 by Media-Saturn in Russia with CDs and DVDs. We completed the necessary technical installations in a logistics centre and a consumer electronics store in 2012. We expect to have the initial test results in mid-2013.

7. Sustainability management

A company can generate profitable growth only if it acts responsibly towards society and the environment. We deeply believe in this principle of sustainability. For this reason, we acted during the reporting year to create a sustainability vision that will serve as a Group-wide foundation for the long-range transformation of METRO GROUP and as a guideline for our sustainability management. Above all, this vision defines our understanding of sustainability.

METRO GROUP. We offer quality of life.

FOR OUR CUSTOMERS – by providing them with safe quality products and services where they live, around the world, constantly improving our processes. And with products that are made, processed and recycled in a socially responsible, environmentally sound, resource-conserving manner. This lets us secure our future.

FOR OUR EMPLOYEES – by at all times respecting, protecting and helping them grow professionally, and by building trusted relationships with them. This lets us create an attractive working environment.

FOR ALL WHO WORK FOR US – by doing business fairly and responsibly and providing good living and working conditions. This lets us demonstrate responsibility in the supply chain.

FOR SOCIETY – by protecting the environment, conserving natural resources and minimising our effect on the climate. This lets us help ensure a sound footing for the retailing of tomorrow.

Organisational structure

The central institution of our sustainability management is our Sustainability Board. It integrates all relevant Group functions and areas. To optimise coordination processes, we made a series of changes within the board at the beginning of 2012.

The Sustainability Board includes 2 members of the Management Board of METRO AG and 1 member each from the management boards of the sales lines and of METRO PROPERTIES. Representatives of the Group units Corporate Communications and Sustainability of METRO AG are also members of the board. The Sustainability Board draws on the sustainability vision to develop guidelines, standards and strategies, formulates goals and defines key performance indicators to measure success. It is supported by 4 working groups. These groups develop programmes designed to reach the Group's goals, form project groups, monitor implementation and report progress to the board. A preparatory committee acts as an interface, ensuring that tasks are passed on to the working groups and the results are collectively reported.

The sales lines and companies of METRO GROUP are charged with the responsibility of introducing the programmes on an operational level. They are assisted in this work by sustainability officers whom they have appointed. Furthermore, they are gradually developing their own systems of sustainability management as a way of further optimising this work.

Focal points of sustainability management

Our sustainability management comprises 4 focal points that apply to the entire METRO GROUP:

- Supply chain and products
- Energy and resource management
- Employees and social affairs
- Social policies and stakeholder dialogue

These fields of action cover the entire supply chain and our points of interaction with society. They identify the areas where our impact on sustainability-relevant processes is the greatest.

To review and elucidate the strategic implementation of our vision, we report in this section of the management report about the Sustainable Development Key Performance Indicators (SD KPIs).

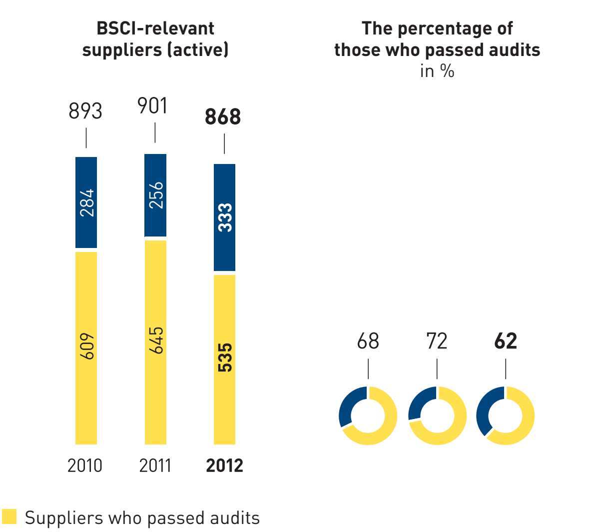
Supply chain and products

Our core business is supplying private and professional customers with safe, high-quality goods. By taking a wide range of steps, we help to shape production and work conditions. The focal points of this work include the responsible use of raw materials, the careful selection of producers and suppliers, and the provision of our assortments with products that are made, processed, sold and used in a resource-conserving, socially responsible manner. We are committed to ensuring that the use of resources and the procurement of products can be traced throughout the entire supply chain. Through our guidelines on sustainable procurement, the expansion of our effort to promote fair working conditions and the monitoring of social and quality standards, we are strengthening our purchasing channels and improving the quality and sustainability of our products.

Fair, socially just working conditions among suppliers

Compliance with social standards throughout the entire supply chain is vital. Knowing this, we have integrated the key work standards of the International Labour Organization (ILO) into our guidelines. Furthermore, we comply with the guidelines issued by the Organisation for Economic Co-operation and Development (OECD) for multinational corporations. Our suppliers are contractually required to protect human rights and to guarantee fair working conditions. Areas of our support include helping them to implement the requirements of the Business Social Compliance Initiative (BSCI), which we co-founded more than 10 years ago, or equivalent standards. The BSCI works to ensure that fundamental human rights are assured in the production and supply chain. To ensure that these standards are being met, we require our suppliers to undergo audits. All nonfood suppliers who deliver products into the EU through our subsidiary MGB Hong Kong have undergone such audits. 62 percent of them received a score of satisfactory in 2012. If requested, we will work with suppliers who fail to achieve this score until they can fulfil the requirements. By 2015, we intend to integrate nonfood suppliers who deliver products through local importers into the BSCI or an equivalent system of social standards.

Social audits of own imports through MGB Hong Kong



Food quality and safety

Our sales lines assume direct responsibility for our own brands. The Company's guidelines guarantee comprehensive quality management. This effort includes supplier evaluations conducted in accordance with the international standards of the Global Food Safety Initiative (GFSI). In this manner, certification of compliance with a food-safety standard recognised by the GFSI becomes a mandatory component of all contractual relationships for our own-brand suppliers. Furthermore, regular analytical and sensory inspections of products are conducted. These inspections are carried out and coordinated by the Company's own quality assurance staff or by external testing labs. As part of complaint management, information from customers is used to refine products and improve processes. These processes are backed up by preventive crisis management. In this area, media reports about critical situations are carefully evaluated. The appropriate steps are then taken and incorporated into the processes to ensure consumer protection. The objective is to identify potential problems at the earliest possible stage and, thus, to provide the highest levels of quality and product safety. But even a quality assurance system that employs the very latest technology cannot provide 100 percent protection against human error or criminal activity. Should problems with products occur in spite of the careful inspections, the quality management team will take immediate action to ensure that the affected products are removed from store shelves and that consumers are transparently informed about the situation. These comprehensive procedural regulations fully apply to own-brand products and to fresh foods, including meat, fish, fruit and vegetables.

Expansion of supplier qualifications

Local suppliers and producers are important partners for us because we obtain a major share of the foods for our stores from them. With proprietary training courses and established qualification programmes, we help suppliers in developing and emerging countries to meet the high quality standards. As part of strategic partnerships with such international development organisations as the United Nations Industrial Development Organization (UNIDO), the International Finance Corporation (IFC) and the German Society for International Cooperation (GIZ, Deutsche Gesellschaft für Internationale Zusammenarbeit), we provide training to local producers and suppliers of fresh foods. In the reporting year, we provided training to more than 60 suppliers in Russia, Ukraine and India. The main topics covered in this training included food safety and hygiene, warehousing, transport and processing. The training helped the suppliers to meet the requirements of the Global Food Safety Initiative (GFSI) and to qualify for an internationally recognised certificate. The programmes can help to reduce suppliers' post-harvest losses by up to 40 percent, raise the volume of their marketable products and improve their income.

Environmentally and socially certified products
With our assortments, we meet the expectations of our customers in terms of environmentally conscious and socially acceptable products. These products include those from fair trade or foods that bear the European organic seal. In the reporting year, our sales lines in Germany generated sales of products certified by the EU organic directive that totalled nearly €50 million.

In addition, our sales lines 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 produced in compliance with the standards of the Forest Stewardship Council (FSC) or Blauer Engel (Blue Angel),
— natural cosmetics and
— textiles made from organic cotton or cotton produced in accordance with the "Cotton made in Africa" standard.

METRO GROUP is currently developing a system to track the sales of these products.

Products from responsible fishing and aquaculture
METRO GROUP is committed to the principles of sustainable and environmentally conscious fishing. In 2002, we became the first retail and wholesale company in Germany to offer own-brand products bearing the seal of the Marine Stewardship Council (MSC) for wild fish. It attests that a product came from a responsibly managed fishing operation. Today, our sales lines offer an array of MSC-certified brand and own-brand products. In 2012, our sustainable range of fish sold in Germany comprised 78 MSC-certified own-brand products and 658 brand products. These products generated sales of approximately €54 million. We are also continuing to support the development of the ASC seal (Aquaculture Stewardship Council) for farmed fish. Similar to the MSC seal, this label is designed to help consumers buy sustainable foods. The first ASC products are now being sold in our stores.

Energy and resource management

Energy and natural resources are the foundation of our core business. Their use, however, impacts the Earth's environment and climate. For this very reason, we assume responsibility for environmental and climate protection in the areas of the supply chain we can directly influence. These efforts include the storage and cooling of products, their transport, and the operation of our stores and administrative offices around the world. In taking this approach, we also address the rising costs of energy and resources.

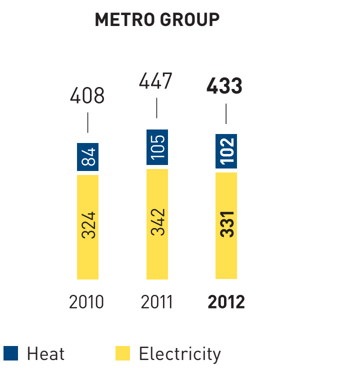
With our energy and resource management, we intend to reduce the climate-relevant emissions of our business operations. We are striving by 2020 to cut our greenhouse gas emissions per square metre of selling space by 20 percent compared with the level in 2011. To achieve this goal, we are systematically working to efficiently use energy. In addition, we intend to minimise our consumption of resources. In this work, we are focusing in particular on reducing our paper consumption and the emissions generated by the use of refrigerants.

Increased energy efficiency
To be able to systematically plan, carry out and monitor energy and efficiency measures, our sales lines use smart metering systems. Thanks to these systems, a location's consumption of electricity, natural gas and heating oil can be measured in a continuous and, thus, usage-based manner. Today, 95 percent of all METRO GROUP stores and outlets are equipped with these systems.

Lighting as well as heating and cooling systems are responsible for the largest share of energy usage. To cut usage levels even further, METRO Cash & Carry and Galeria Kaufhof have replaced fluorescent lamps with LED lights. Another effective step is installing sliding doors on deep freezers and frozen-food shelves. As part of this effort, METRO Cash & Carry has also installed energy-saving fans in all refrigeration units used throughout Germany. By taking this step, our sales line lowered the use of electricity by its German wholesale stores by more than 3,000 MWh in 2012 compared with the previous year's level.

In the reporting year, energy usage for electricity and heat totalled 433 kWh per square metre of selling space. Compared with 2011, we lowered use by 3.4 percent.

Energy – electricity and heat usage
in kWh per m² of selling space



Energy Awareness Programme

Through environmentally conscious behaviour, our employees can make a major contribution to our drive to save energy. For this reason, METRO Cash & Carry developed the Energy Awareness Programme (EAP) during the reporting year. It is designed to encourage employees to use energy more efficiently. In addition, every location has been assigned a specific reduction goal. The programme is scheduled to start in March 2013. METRO Cash & Carry's overall goal is to achieve a 5 percent reduction in energy usage by August 2013 compared with 2011 and an 18 percent decrease by 2015.

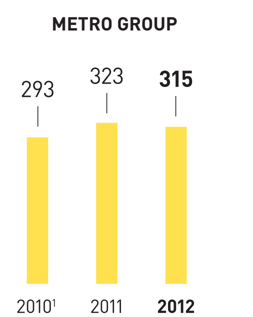
New climate protection target and carbon footprint

In 2012, the Sustainability Board of METRO GROUP set a new climate protection target: by 2020, we will reduce our specific greenhouse gas emissions by 20 percent compared with the level in 2011. This means that we will lower emissions per square metre of selling space by 323 kilogrammes of CO_2 equivalents per year to 258 kilogrammes of CO_2 equivalents. The climate protection target is part of our Group-wide carbon footprint that we have been disclosing since 2008. To increase the transparency of the data collection and improve comparability, we expanded the scope of our reporting in 2011. The change also made it necessary to recalibrate the climate target we set in 2008.

In the reporting year, METRO GROUP generated 315 kilogrammes of CO_2 equivalents per square metre of selling space. As a result, our Group-wide emissions fell by 8 kilogrammes per square metre of selling space compared with 2011, or 2.5 percent. This reduction was primarily achieved by energy-saving programmes.

We also see room for improvement in the area of emissions created by the loss of refrigerants. In years to come, we intend to measurably lower the refill rate of these agents. In addition, a technical programme to reduce leak rates and natural refrigerants are to be increasingly used in buildings and remodelling projects.

Climate target – greenhouse gas emissions in kg CO_2 (CO_2 equivalent)
per m² of selling space



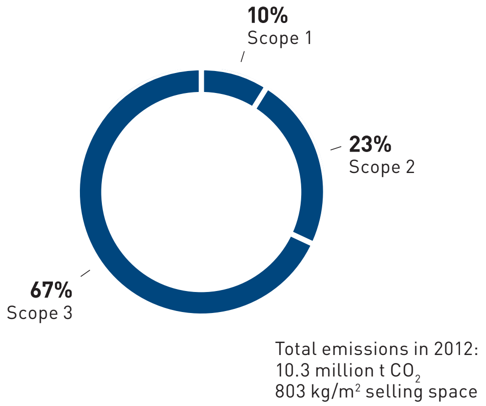
[1] In 2011, we changed the range of emission sources that we monitor. But some primary data for the years before 2011 are not available. For this reason, the reporting year 2010 does not include company car's and partially pre-chain emissions, network losses for direct and indirect energy sources and the loss of refrigerants.

Our climate reporting is based on the Greenhouse Gas (GHG) Protocol standard and the 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 the energy consumption and other critical environmental impacts in virtually all outlets and department stores, administrative offices and warehouses. The quality of collected data is high. More than 95 percent of emissions for Scope 1 and Scope 2 draw from the collected data, and less than 5 percent from projections and estimates. 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.

Carbon footprint – all measured emission sources



Scope 1 = heating oil, natural gas, liquefied petroleum gas, refrigerants, own fleet of lorries and company cars, emergency power generating units

Scope 2 = electricity consumption, district heating/cooling

Scope 3 = all external logistics, paper consumption, business travel, purchased goods and services (not for sale) with the exception of paper, capital assets, upstream emissions from energy and waste, staff commutes, leased assets

Employees and social affairs

A company that intends to create added value for its customers needs motivated and qualified employees who can turn this pledge into an everyday reality. For ths reason, the dedication of our workforce is a focal point of our sustainability management. By employing foresighted human resources concepts, we ensure that the Company has the employees it needs, particularly specialists and managers, to conduct business over the long term. We offer professional development opportunities and an attractive workplace that is 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 5 Employees of the Group management report. The section on employees can be found on pages 111 to 118.

Social policies and stakeholder dialogue

As a leading international retail and wholesale company, METRO GROUP adds its voice to discussions about business and sociopolitical issues. In doing so, we conduct a transparent dialogue with our stakeholders. We also want to live up to our responsibility as a good corporate citizen. Our commitment to society includes compliance with a code of conduct and principles of good management, a regular dialogue, reporting about sociopolitical issues and charitable activities in the form of fund-raising and sponsoring activities.

You will find in-depth information and other key performance indicators regarding the topic of sustainability in the METRO GROUP Sustainability Report 2012 that is included with the annual report as well as on our website in the Sustainability section. This year, the sustainability report was prepared for the first time in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. Based on the self-assessment stipulated by GRI, it corresponds to the requirements of GRI Level B.

OUR RESULTS AND GOALS

Within each of our focused fields of action, we have set specific goals for the continuous improvement of our sustainability efforts – including targeted measures for achieving these goals. The current status of these goals and their associated measures is indicated in the following table.

Degree of goal achievement

Measure not yet started | Measure started | Measure ongoing | Measure concluded | New goal implemented | Goal not yet reached | Goal reached | Goal not reached

Company

Theme	Goals	Status goal	Measures	Status measures
COMPLIANCE ORGANISATION AND MANAGEMENT	METRO GROUP continuously improves the effectiveness of its compliance management system.		— Implementation of the comprehensive communication strategy to educate employees by means of Group-wide awareness campaigns in various formats (e.g. Compliance Day), reports in newsletters, the intranet and employee magazines, etc.; to be continued in 2013.	
			— Introduction of Group-wide anti-corruption guidelines and enhancement of the Group-wide competition law compliance programme by the addition of extensive training programmes.	
			— Implementation of an internal control system to manage compliance risks within operational processes, including systematic checks, a dual-control principle and also the separation of functions. All processes of phase 1 have been completed, the processes of phase 2 are to be completed in 2013.	
			— Group-wide online survey of level 1, 2 and 3 managers to measure the progress of compliance at METRO GROUP. The results are reported to the Management Board and included in the Compliance Newsletter. The survey was conducted in 2012.	
			— Compliance check of business partners (based on compliance questionnaire) implemented; questionnaires collected from more than 15,000 suppliers/service providers; assessment to be completed in 2013.	
			— E-training platform for compliance training courses implemented in half of all METRO GROUP countries (first modules: anti-corruption and antitrust).	

Information in this overview is based on METRO GROUP's Sustainability Report 2012, which appears as a supplement to this Annual Report.

Company

Theme	Goals	Status goal	Measures	Status measures
RISK MANAGEMENT	Establishment of the integration of sustainability criteria into the risk management system by 2012.		— Systematic inclusion of sustainability criteria that are critical to METRO GROUP into the risk management system. Since the beginning of 2012, this has been laid down in a risk management guideline. As of 2012, relevant sustainability-related risks are part of the risk inventory.	

Field of action: supply chain and products

Theme	Goals	Status goal	Measures	Status measures
CONSERVATION OF RESOURCES / FOOD SAFETY / SUSTAINABLE SOURCING	METRO GROUP continues to refine its strategy on sustainable fishing.		— Development of sales line-specific implementation guidelines for METRO GROUP's sustainable fishing purchasing policy.	
			— All METRO Cash & Carry countries must develop their own implementation plan for a sustainable fish strategy by May 2013.	
			— All METRO Cash & Carry countries must implement a specific plan for sustainable fish-buying practices by 2015.	
			— Targeted external and internal communication to raise awareness of sustainable fishing and fish products as part of the implementation of the fish strategy by 2015.	
	METRO GROUP develops and implements a general purchasing policy covering important resources.		— METRO GROUP is to develop a general purchasing policy covering important resources by December 2013.	
	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 (see chapter "Supply chain and products"), a pilot project is to be implemented in the fish category by the middle of 2014.	
	METRO GROUP is expanding its supplier training programme in developing and emerging countries.		— In March 2011, a UNIDO partnership project with 120 own-brand suppliers of METRO Cash & Carry and Real was launched in Russia. — Pilot project with 17 suppliers concluded in 2012. Plans for further project implementation developed.	
			— In 2011, a UNIDO partnership project with own-brand suppliers of METRO Cash & Carry was launched in India. — Pilot project with 10 suppliers concluded.	

Field of action: supply chain and products

Theme	Goals	Status goal	Measures	Status measures
CONSERVATION OF RESOURCES / FOOD SAFETY / SUSTAINABLE SOURCING			— In 2011, an IFC partnership project with suppliers of METRO Cash & Carry was launched in Ukraine. — 7 training workshops for 41 METRO suppliers conducted.	
			— In 2012, an IFC partnership pilot project with suppliers of METRO Cash & Carry was launched in Kazakhstan; it will run until March 2013.	
			— The Star Farm programme of METRO Cash & Carry was further expanded in 2010. Star Farm in Pakistan started in 2011. In future, training programmes will be offered by Star Farm on a regular basis.	
CONSERVATION OF RESOURCES / DESIGN OF PRODUCT RANGE	Conversion of several Real own-brand cleaning agents to A.I.S.E. certification.		— An agreement was concluded with A.I.S.E. in 2011. Individual cleaning agents are being converted.	
	Real Germany contributes to the development of more sustainable packaging.		— From 2011, conversion of several Real own-brand Tetra Pak/combiblock packaging materials to the Forest Stewardship Council® standard.	
	METRO GROUP contributes to sustainable packaging.		— Implementation of a METRO GROUP packaging policy by December 2013.	
INTERNATIONAL LABOUR STANDARDS / SOCIAL STANDARDS	METRO GROUP intensifies its commitment to fair working conditions among its suppliers.		— Inclusion of all nonfood own-brand suppliers in a BSCI or equivalent social standard system by 2015 if the final product is produced in a risk country (definition of risk country according to BSCI). — Project starts with a pilot project in Germany.	
			— Implementation of internal procedures to monitor and document social standards throughout the entire supply chain has been improved by the introduction of an internal IT system (Quality Link).	
			— Survey of food suppliers regarding compliance with BSCI or equivalent social standard systems by December 2013.	
			— Development of a METRO GROUP purchasing policy for fair working conditions by December 2013.	

Field of action: energy and resource management

Theme	Goals	Status goal	Measures	Status measures
CLIMATE PROTECTION / RESOURCE MANAGEMENT	Improvement of data quality by upgrading primary-data coverage and increasing the quality of primary data for targeted management and increased planning security by the end of 2013.		— Introduction of a new carbon emission measuring and calculation system with a shortening of reporting times in 2011 and 2012. — Carbon Intelligence System implemented. — Data collected at store level.	
	METRO GROUP will reduce its GHG emissions by 20 percent from 323 kg/m² in 2011 to 258 kg/m² in 2020.		— Continuation of "low-hanging fruit programme" as "Energy-Saving Programme"; additional Energy Awareness Programme from 2013. — Introduction of new reduction target: for details refer to chapter "METRO GROUP's carbon footprint".	
	METRO GROUP will reduce its GHG emissions caused by electricity consumption by 21 percent by 2020 compared to 2011.		— Continuation of "low-hanging fruit programme" as "Energy-Saving Programme"; additional Energy Awareness Programme from 2013. — Introduction of new reduction target: for details refer to chapter "METRO GROUP's carbon footprint".	
	METRO GROUP will reduce its GHG emissions caused by heating energy consumption by 10 percent by 2020 compared to 2011.		— Continuation of "low-hanging fruit programme" as "Energy-Saving Programme"; additional Energy Awareness Programme from 2013. — Introduction of new reduction target: for details refer to chapter "METRO GROUP's carbon footprint".	
	METRO GROUP continues to improve its energy management.		— Expansion of collection and monitoring of energy consumption with the help of smart metering systems. By the end of 2012, 95 percent of stores around the world were equipped with such systems.	
			— Raising the level of qualifications and responsibilities of employees through training courses. — Regular trainings of in-house technicians and annual energy checks. — Training courses for METRO Energy Management System almost finished. — Energy Awareness Programme starting 2013.	
			— Development of uniform standards for new and remodelled buildings. — Standard Operating Procedure was published in February 2013.	
			— Roll-out of successful efficiency measures. — Measures in 2012 including replacement of standard refrigerator fans with energy-efficient eco-fans. — In 2013, further energy-saving measures, e.g. LED lighting, air curtains.	

Field of action: energy and resource management

Theme	Goals	Status goal	Measures	Status measures
CLIMATE PROTECTION / RESOURCE MANAGEMENT	Complete installation of the METRO GROUP Energy Management System (> 95 percent) in 2012.		— By the end of 2012, 95 percent of stores around the world were equipped with this system.	
	Beginning in 2012, review of every new store opening regarding the possibility of using a photovoltaic system.		— Development of a project plan including work instructions. — In 2013, integration in the standard operating procedure for construction and engineering (METRO Cash & Carry).	
	Revision of energy primer in 2012.		— Content compiled and integrated into Energy Awareness Programme.	
	From 2015, use of natural refrigerants in the cooling systems of every new store.		— Review of technical feasibility. — Check in pilot countries.	
			— Conversion of pilot units. — 5 pilot stores in 2012.	
			— Conducting of life cycle analyses. Lifetime maintenance and repair, refill and costs analysis.	
	METRO GROUP will reduce its GHG emissions caused by refrigerants by 29 percent by 2020 compared to 2011.		— Measures are not yet finally assessed and will be reported in next progress report. — Introduction of new reduction target: for details refer to chapter “METRO GROUP’s carbon footprint”.	
	From 2012, expansion of e-mobility at METRO GROUP in Germany.		— Creation of loading infrastructure at the Düsseldorf location. — 5 charging stations installed in 2012. — Purchase of electric vehicles (initially 2 e-vehicles). — Installation of charging stations at new stores built between 2012 and 2015. — Participation in a tender process for e-mobility in German showcase projects.	
	By the end of 2011, METRO GROUP upgrades its fleet of trucks in Germany to meet the Euro 5 standard at the very least.		— By the end of 2012, 95 percent of trucks in Germany meet the Euro 5 standard. Because of the introduction of Euro 6 we changed to this standard. However, we have had to postpone the investment until 2013 because of availability problems.	
	METRO GROUP will reduce the environmental impact of logistics with programmes designed to change drivers’ behaviour.		— Rolling environmental training courses help drivers to reduce fuel consumption. All drivers undergo this training at least once. In addition, drivers will be instructed once a year.	
	METRO GROUP will reduce its GHG emissions caused by company cars by 10 percent by 2020 compared to 2011.		— Measures are not yet finally assessed and will be reported in next progress report. — Introduction of new reduction target: for details refer to chapter “METRO GROUP’s carbon footprint”.	

Field of action: energy and resource management

Theme	Goals	Status goal	Measures	Status measures
CLIMATE PROTECTION / RESOURCE MANAGEMENT	METRO GROUP continues to implement its environmental guidelines covering paper purchased for advertising material.		— 80 percent of paper for advertising material is environmentally optimised.	
			— Since 2008, Real Germany has reduced paper consumption by 11 percent by reducing the size of its advertising flyers.	
	METRO GROUP will reduce the GHG emissions caused by paper consumption by 11 percent by 2020 compared to 2011.		— Measures are not yet finally assessed and will be reported in next progress report. — Introduction of new reduction target: for details refer to chapter "METRO GROUP's carbon footprint".	

Field of action: employees and social affairs

Theme	Goals	Status goal	Measures	Status measures
OCCUPATIONAL HEALTH AND SAFETY	METRO GROUP will expand the key figures and reporting systems on health and safety (H&S) for METRO GROUP by the end of 2013.		— Alignment of H&S standards of METRO GROUP by setting uniform KPIs and providing more guidance and standards, preferably linked to the Occupational Health and Safety Assessment Series (OHSAS) 18002. — As part of this measure, employee health programmes and occupational safety in stores and warehouses will be checked and optimised.	
SUSTAINABILITY AWARENESS	METRO GROUP will raise awareness of sustainability and corporate social responsibility throughout the Company.		— Development of a concept and accompanying action plan in the first half of 2013 to raise employees' awareness of sustainability and to further embed sustainability in daily business processes and decisions.	
DIVERSITY	METRO GROUP will continuously increase the number of women in managerial positions.		— Intensification of human resource marketing with a special focus on the target group of women and increased consideration of women in managerial development activities and successor planning. — The following measures were concluded in 2011 and 2012: — Testimonial Campaign "Women in Executive Positions" in 2011 focusing on diversity, women and international career opportunities at METRO GROUP. — Foundation of employee network "Women" in 2012 with Management Board commitment.	
			— As part of the DAX 30 voluntary commitment, the proportion of women in managerial positions (METRO managerial levels 1–3) is to be increased to 20 percent by the end of 2013 and to 25 percent by the end of 2015. In 2012, the proportion was 19.7 percent.	
	With active demographic management, METRO GROUP will systematically develop the strengths of its diverse workforce.		— Expansion of the qualification and promotion programmes as well as the development of age-appropriate working conditions, including preventative measures.	

Field of action: employees and social affairs

Theme	Goals	Status goal	Measures	Status measures
EMPLOYEE RETENTION	METRO GROUP will expand its further education activities for employees.		– Development of new training modules in the areas of customer management, sales and procurement as well as expansion of e-training modules.	
	METRO GROUP will further expand its professional development programmes for employees.		– In 2012, the decision was made to realign the Development Centre approach with the cultural change initiative – in line with METRO Cash & Carry's new Guiding Principles. After completion of this alignment process, the activities of the Development Centre will be resumed.	
			– Career development for employees with help of individual development plans.	
	METRO GROUP will continuously improve employee motivation in order to increase customer satisfaction and business success.		– Annual employee survey to measure employee motivation. Increase in employee motivation from 37 percent in 2010 to 70 percent in 2012.	
			– Preparation of action plans by employee teams to increase employee motivation. – Based on the results of the survey conducted in 2011, this goal was accomplished in 2012 with more than 13,000 action plans prepared by the teams.	
FAIR WORKING CONDITIONS AND SOCIAL PARTNERSHIP	METRO GROUP will increase its commitment to fair working conditions and social partnership.		– A deepening of the work relationship with METRO GROUP's "Euro-Forum" European works council.	
			– Continued partnership with the international union organisation UNI Global Commerce.	
			– METRO GROUP has intensified its commitment to fair working conditions and social partnership. In 2012, METRO GROUP ran a self-assessment in all countries, and a flyer summarising the key facts on fair working conditions was distributed throughout the Company.	

Field of action: social policies and stakeholder dialogue

Theme	Goals	Status goal	Measures	Status measures
CORPORATE CITIZENSHIP	Assumption of corporate social responsibility by donating money and food while reducing food waste.		— Increased support for the Tafel and international food bank movement by internally addressing sales countries in an effort to expand or initiate such activities.	
			— The "Care & Share" programme at METRO Cash & Carry was successfully rolled out in 22 countries in 2011 and expanded to 25 countries in 2012; in 2013 it will be expanded to 27 countries.	
STAKEHOLDER DIALOGUE	METRO GROUP conducts dialogue with experts and stakeholders on the subjects of its fields of action.		— 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.	
	Increase in the number of development or cooperation partnerships.		— Regular meetings with development organisations such as UNIDO, GIZ, IDH (Dutch sustainable trade initiative), IFC and KfW and with cooperation partners like Bayer CropScience. — Meetings in 2012: — UNIDO: European Development Days Brussels; UN System Private Sector Focal Points Meeting. — GIZ: regular meetings and exchange as part of DIAE (German Initiative on Agriculture and Nutrition). — IDH: meetings and exchange in order to set up a cooperation on ASC products (Aquaculture Stewardship Council). — IFC: exchange on roll-out of cooperation in Ukraine and Kazakhstan. — With almost all partners: exchange and cooperation in the context of WEF (World Economic Forum).	
	Establishment of 79 customer advisory councils at Real Germany in 2011. Expansion to 154 councils in 2012 and 229 in 2013.		— Quarterly meetings of 10 to 15 Real customers from various age groups to discuss the improvement potential of local stores. — In 2012, the number of customer advisory councils already exceeded 220, so this goal is seen as reached.	
	METRO GROUP promotes customer awareness regarding waste prevention.		— In line with the Retail Forum Agreement on Waste: each sales line to conduct awareness-raising campaign with respect to its specific product portfolio by June 2014. — METRO Cash & Carry in Germany is conducting an initiative in collaboration with the German Federal Ministry of Food, Agriculture and Consumer Protection to educate the consumers about best-before dates.	

8. Remuneration report

The following report describes the remuneration received by the Management Board and the Supervisory Board of METRO AG for the financial year 2012 paid in accordance to standards laid down by the German Commercial Code (HGB) and the German Corporate Governance Code. It also outlines the system of Management Board compensation and its further modification. Furthermore, the remuneration report 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 2 variable components: performance-based compensation (short-term incentive) and a long-term incentive. The Company also offers pension provisions and supplemental benefits. In the course of the refinement of the remuneration system in October 2010, a change was made to the relative weighting of the remuneration components (fixed salary, short-term incentive and long-term incentive). The relative weight of the long-term incentive was increased and the overall remuneration system was focused more strongly on sustainable company growth. 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 percent, respectively, at its discretion.

Effective 1 January 2012, the employment contracts of all current members of the Management Board were revised to reflect the new remuneration system. As a result, year-on-year comparisons of the variable components are limited.

The remuneration system for the Management Board of METRO AG complied and continues to comply with the requirements of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code. 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 financial year 2012, the individual components of Management Board remuneration were as follows:

Fixed salary
The fixed salary is contractually set and is paid in 12 monthly instalments.

Performance-based compensation (short-term incentive)
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 in combination with RoCE rewards positive developments in METRO GROUP earnings. 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.

In accordance with the new remuneration system, active members of the Management Board receive between €500 and €833 per 0.01 percentage point of RoCE above a minimum value of 7 percent. For each additional €1 million in net earnings, they receive an additional €304 to €506. 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 2012:

€ p.a.	Amount per 0.01 percentage points of RoCE above 7 percent	Amount per €1 million in net earnings	Payout cap
Olaf Koch	833	506	3,900,000
Mark Frese	500	304	2,080,000
Heiko Hutmacher	500	304	2,080,000
Frans W. H. Muller	625	380	2,600,000
Joël Saveuse[1]	1,400	850	2,600,000

[1] Member of the Management Board until 31 March 2012

The short-term incentive for Mr Saveuse was also tied to the business targets of the Real sales line (target value for EBITaC – EBIT after cost of capital – at the Real Group). Determined from the degree of target attainment, an EBITaC factor is multiplied by the agreed-upon base bonus. The EBITaC-based remuneration for Mr Saveuse was generally capped at €2.7 million per year. The annual payout of the base bonus (€900,000) was guaranteed. Payouts of the short-term incentive derived from the RoCE and net earnings of METRO GROUP were credited against the performance-based compensation of Mr Saveuse in accordance with the EBITaC of the Real Group.

The performance-based compensation of members of the Management Board is generally paid out in the financial year following the approval of the annual financial statements. Mr Saveuse, who left the Management Board on 31 March 2012, received performance-based compensation in April 2012 for the period of 1 January 2012 to 31 March 2012. 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.

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 5-year performance share plan in 2009. A target value is set for each member of the Management Board. To determine the target number of performance shares, the target value is divided by the share price upon allotment. The key factor is the average price of the METRO share during the 3 months leading up to the allotment date. A performance share entitles its holder to a cash payment matching the price of the METRO share on the payment date. Here, too, the determining factor is the average price of the METRO share during the 3 months leading up to the allotment 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 3 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 percent, the number increases on a straight-line basis to a maximum of 200 percent of the target amount. Up to an underperformance of 30 percent, the number is accordingly reduced to a minimum of 50 percent. In the case of a higher underperformance, the number is reduced to 0.

Payment can be made at 6 possible times. The earliest payment date is 3 years after allotment of the performance shares. From this time, payment can be made every 3 months. The members of the Management Board can choose the date upon which their performance shares are paid out. An allotment with multiple payout dates is not permitted. The payout cap amounts to 5 times the target value.

When the performance share plan was introduced, share ownership guidelines also went into effect: 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 3-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 percent 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 10 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 6 months.

Supplemental benefits

The supplemental benefits granted to members of the Management Board include non-cash benefits and expense allowances (e.g. company car).

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.

Long-term incentives in the financial year 2012

The target value for the 2012 tranche is €1.6 million for Mr Koch, €0.96 million each for Messrs Frese and Hutmacher and €1.2 million for Mr Muller. Under conditions laid out by the performance share plan, Mr Koch received 54,832 performance shares, Messrs Frese and Hutmacher each received 32,899 performance shares and Mr Muller received 41,124 performance shares. At the time of granting, a share unit was valued at €29.18. 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 2012 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, €0.32 million each for Messrs Frese and Hutmacher and €0.4 million for Mr Muller.

In addition to the tranche from the performance share plan distributed in the financial year 2012, Messrs Koch and Muller possess rights from the tranches from 2010 and 2011. Mr Muller also possesses rights from the tranche from 2009. 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 Saveuse, who left the Management Board as of the close of business on 31 March 2012, received no performance shares in 2012. He received compensation for the performance shares granted in 2009, 2010 and 2011 within the context of a severance agreement.

Additional information on the details of this severance agreement is provided in the section "Services after the end of employment in the financial year 2012".

Remuneration of the Management Board in the financial year 2012[1]

€1,000	Financial year	Fixed salary	Supplemental benefits	Short-term incentive[2]	Long Term Incentive: Value of granted tranches[2]	Long Term Incentive: (Payout from tranches granted in the past)	Total[3]	(Effective salary[4])
Olaf Koch[5]	2011	800	26	1,199	295	(0)	2,320	(2,025)
	2012	**1,200**	**63**	**75**	**1.522**	**(0)**	**2,860**	**(1,338)**
Mark Frese[6]	2011	0	0	0	0	(0)	0	(0)
	2012	**720**	**142**	**38**	**913**	**(0)**	**1,813**	**(900)**
Heiko Hutmacher[7]	2011	180	23	107	0	(0)	310	(310)
	2012	**720**	**186**	**31**	**913**	**(0)**	**1,850**	**(937)**
Frans W. H. Muller	2011	842	184	967	709	(6)	2,702	(1,999)
	2012	**900**	**124**	**39**	**1,142**	**(0)**	**2,205**	**(1,063)**
Joël Saveuse[8]	2011	1,000	29	1,199	295	(6)	2,523	(2,234)
	2012	**250**	**9**	**328**	**0**	**(0)**	**587**	**(587)**
Total[9]	2011	2,822	262	3,472	1,299	(12)	7,855	(6,568)
	2012	**3,790**	**524**	**511**	**4,490**	**(0)**	**9,315**	**(4,825)**

[1] Statements pursuant to § 285 Sentence 1 No. 9a and § 314 Section 1 No. 6a of the German Commercial Code (HGB) (excl. pension provisions)
[2] Shown here is the fair value at the time of granting the tranche
[3] Total of columns fixed salary, supplemental benefits, STI and value of granted tranches
[4] Total of columns fixed salary, supplemental benefits, STI and payouts from tranches granted in the past
[5] Chairman of the Management Board since 1 January 2012
[6] Member of the Management Board since 1 January 2012
[7] Member of the Management Board since 1 October 2011
[8] Member of the Management Board until 31 March 2012; short-term incentive based on an estimate in accordance with the contract termination agreement
[9] Reported figures for 2011 relate to active members of the Management Board in the financial year 2012

Performance share plan (tranches 2009–2012)

Tranche	End of the blocking period	3-month average price before allotment	Number of Management Board performance shares as of 31/12/2012
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

The blocking period for the 2009 tranche ended in August 2012. No payouts from this tranche were made to members of the Management Board in the financial year 2012.

In the financial year 2012, the value of existing tranches of share-based remuneration programmes changed. The Company's expenses for Mr Koch amounted to €0.063 million, for Mr Frese €0.021 million and for Mr Hutmacher €0.052 million. With regard to Mr Muller, €0.042 million was recorded. No measurable changes in value were recorded with regard to Mr Saveuse's shares before he left the Management Board.

Services after the end of employment in the financial year 2012 (incl. pension provisions)

In the financial year 2012, a total of €5.1 million (previous year: €6.0 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 €0.176 million was allotted to Mr Koch for pension provisions. Mr Frese was allotted approximately €0.134 million, Mr Hutmacher approximately €0.135 million, Mr Muller approximately €0.139 million and Mr Saveuse approximately €0.028 million.

During the financial year 2012, an agreement was concluded to prematurely terminate the employment contract of Mr Saveuse, who left the Management Board by mutual agreement as of the close of business on 31 March 2012. A severance package agreement valued at €4.502 million was concluded with Mr Saveuse for the remainder of his employment contract (1 April 2012 to 30 April 2013). It covers entitlements of Mr Saveuse and makes allowance for the development of performance- and share-based payment drawing from conservative estimates. The initial €0.5 million payment from the severance package, for which a provision was created in 2012, will be made in April 2013 provided that the non-competition agreement has been upheld.

Total compensation of former members of the Management Board in 2012

Benefits totalling €8.3 million (previous year: €9.4 million) were provided to former members of the Management Boards of METRO AG and the companies that were merged into METRO AG as well as to their surviving dependants. The described benefits for Mr Saveuse after the end of employment in the financial year 2012 are included in this figure.

The cash value of provisions for current pensions and pension entitlements amounted to €55.1 million (previous year: €47.8 million).

Outlook: performance-based remuneration (short-term incentive) in the short financial year

The Annual General Meeting of 23 May 2012 resolved to change the financial year of METRO AG to run from 1 October to 30 September. For this reason, a 9-month short financial year (1 January 2013 to 30 September 2013) will be created in 2013. The performance-based remuneration system, however, was designed on the basis of a 12-month financial year that represents a full annual cycle in the retail business, including the Christmas season. In light of this, the Management Board decided 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 9-month short 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 will ensure an appropriate transfer of the current bonus system to the new financial year. In addition, it reinforces the basic principle of a uniform remuneration system for members of the Management Board and employees of METRO AG.

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 other executives of METRO AG as well as to managing directors and executives of METRO GROUP companies. Under this scheme, eligible managers are given an individual target amount for 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 percent of the individual target value.

The value of the performance shares allotted in 2012 amounted to a total €26.8 million (previous year: €18.0 million) at the time of allotment and was calculated by external experts using recognised financial-mathematical methods (Monte Carlo simulation). The following conditions apply:

Performance Share Plan (tranches 2009–2012)

Tranche	End of the blocking period	3-month average price before allotment	Number of Management Board performance shares as of 31/12/2012
2009	August 2012	€36.67	628,755
2010	August 2013	€42.91	621,099
2011	August 2014	€41.73	683,148
2012	April 2015	€29.18	966,346

The blocking period for the 2009 tranche ended in August 2012. No payouts were made in the financial year 2012.

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. 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 financial year 2012 and the 2 preceding years. For the financial year 2012, performance-based remuneration totalled €28,904 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 2 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 3 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 of or chairmanship of a committee will be paid only if at least 2 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 (§ 13 Section 3 Sentence 3 of the Articles of Association).

The relevant individual amounts for the financial year 2012 are as follows:

Remuneration of members of the Supervisory Board for the financial year 2012 pursuant to § 13 of the Articles of Association[1]

€	Financial year	Multiplier	Fixed salary	Performance-based remuneration[2]	Total
Franz M. Haniel, Chairman	2011	●●●	17,500	15,412	32,912
	2012	●●●	**105,000**	**86,712**	**191,712**
Werner Klockhaus, Vice Chairman	2011	●◖ / ●●	61,250	53,942	115,192
	2012	●●	**70,000**	**57,808**	**127,808**
Prof. Dr oec. Dr iur. Ann-Kristin Achleitner	2011	●	23,333	20,549	43,882
	2012	●	**35,000**	**28,904**	**63,904**
Dr Wulf H. Bernotat	2011	●◖	52,500	46,236	98,736
	2012	●◖	**52,500**	**43,356**	**95,856**
Ulrich Dalibor	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Jürgen Fitschen	2011	●	35,000	30,824	65,824
	2012	●◖	**46,667**	**38,539**	**85,206**
Hubert Frieling	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Dr Florian Funck (since 23/05/2012)	2011	–	–	–	–
	2012	●	**23,333**	**19,269**	**42,602**
Prof. Dr Dr h.c. mult. Erich Greipl	2011	●◖	52,500	46,236	98,736
	2012	●◖	**52,500**	**43,356**	**95,856**
Andreas Herwarth	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Uwe Hoepfel	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Peter Küpfer	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Rainer Kuschewski	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Prof. Dr Klaus Mangold	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Dr-Ing. e.h. Bernd Pischetsrieder (until 23/05/2012)	2011	●	35,000	30,824	65,824
	2012	●	**21,875**	**18,065**	**39,940**
Mattheus P. M. (Theo) de Raad	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Gabriele Schendel	2011	●	17,500	15,412	32,912
	2012	●	**35,000**	**28,904**	**63,904**
Xaver Schiller	2011	●◖	52,500	46,236	98,736
	2012	●◖	**52,500**	**43,356**	**95,856**
Dr jur. Hans-Jürgen Schinzler	2011	●●	70,000	61,648	131,648
	2012	●●	**70,000**	**57,808**	**127,808**
Peter Stieger	2011	●◖	52,500	46,236	98,736
	2012	●◖	**52,500**	**43,356**	**95,856**
Angelika Will	2011	●	35,000	30,824	65,824
	2012	●	**35,000**	**28,904**	**63,904**
Total[3]	2011		784,583	690,971	1,475,554
	2012		**931,875**	**769,569**	**1,701,444**

[1] Plus applicable value added tax in accordance with § 13 Section 5 of the Articles of Association
[2] The 2012 performance-based compensation is due after the conclusion of the Annual General Meeting of METRO AG on 8 May 2013
[3] Reported figures for 2011 relate to active members of the Supervisory Board in the financial year 2012

No remuneration applied to the memberships of the Supervisory Board's Mediation Committee in the financial year 2012.

In the financial year 2012, 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 financial year 2012[1]

€	Financial year	
Ulrich Dalibor	2011	9,000
	2012	**9,000**
Prof. Dr Dr h.c. mult. Erich Greipl	2011	49,800
	2012	**49,800**
Uwe Hoepfel	2011	49,800
	2012	**49,800**
Werner Klockhaus	2011	–
	2012	**4,090**
Rainer Kuschewski	2011	6,136
	2012	**6,136**
Gabriele Schendel	2011	49,800
	2012	**49,800**
Xaver Schiller	2011	6,000
	2012	**6,500**
Peter Stieger	2011	9,203
	2012	**9,203**
Angelika Will	2011	6,000
	2012	**6,000**
Total[2]	2011	185,739
	2012	**190,329**

[1] Plus value added tax
[2] Reported figures for 2011 relate to active members of the Supervisory Board in the financial year 2012

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

At the 2013 Annual General Meeting of METRO AG, the Management Board and the Supervisory Board will propose to convert Supervisory Board remuneration to a purely fixed sum. The Supervisory Board believes that fixed compensation independent of the Company's success is more appropriate for the monitoring and supervisory duties it performs. The amount of the proposed fixed compensation is based on the average total remuneration paid in previous years. Should the Annual General Meeting approve the recommendation, it would apply as of the financial year 2013/2014 (1 October 2013 to 30 September 2014).

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

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

On 31 December 2012, 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 percent) as well as 2,677,966 preference bearer shares (proportional value of the share capital: €6,846,111, 0.82 percent). The proportional value per share amounts to about €2.56.

Each ordinary share grants one vote. In addition, ordinary shares entitle the holder to dividends. In contrast to ordinary shares, preference shares of METRO AG 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 net earnings a preference dividend of €0.17 per preference share.

(2) Should the net earnings 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 near earnings 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 percent 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 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 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 of the German Commercial Code)

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

Name/company	Direct/indirect stakes exceeding 10 percent 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 of the German Commercial Code)

The Company has not issued any shares with special rights pursuant to § 315 Section 4 No. 4 of the German Commercial Code. No capital interests are held by employees pursuant to § 315 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 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 2 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 of the German Commercial Code)

Authorities to issue new shares
The previously existing and unutilised authorisations of the Management Board to increase the share capital by issuing new ordinary bearer shares in exchange for cash contributions for a total maximum of €40,000,000 by 23 May 2012 (former authorised capital I), by issuing new ordinary bearer shares in exchange for non-cash contributions for a maximum of €60,000,000 by 23 May 2012 (former authorised capital II) and by issuing new ordinary bearer shares in exchange for cash or non-cash contributions for a maximum of €225,000,000 by 12 May 2014 (former authorised capital III) have been subsumed in a single authorisation by resolution of the Annual General Meeting on 23 May 2012. This new, single authorisation authorises 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 percent 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 percent 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 percent 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 percent 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 newly created authorised capital I has not been used and 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 percent 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 percent 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 percent 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 percent 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 (e.g., 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 (incl. 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 percent 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 percent of the share capital. The limit of 10 percent 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 percent of the share capital. Shares issued or sold by direct or analogous application of §186 Section 3 Sentence 4 of the Ger-

man 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 of the German Commercial Code)

As a borrower, METRO AG is currently a party to 2 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 2012, these loans were not utilised.

Compensation agreements in case of a takeover (§ 315 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.

10. Accounting-related internal monitoring and risk management system

METRO GROUP's accounting-related internal monitoring and risk management system employs coordinated instruments and measures for the prevention and 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 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 in the legal sense, however, is the responsibility of the Management Board of METRO AG. Following the preparation of the financial statements, the annual accounts 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 are approved by the Supervisory Board. The annual financial statements of METRO AG are released once this approval is given.

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 2-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

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 and the consolidated financial statements of METRO AG are reviewed and monitored for compliance with applicable accounting regulations by the respective auditors. The interim consolidated financial statements for the 6-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.

11. Risk report

In its operating activities, METRO GROUP is regularly exposed to risks that can impede the realisation of its short-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 always entails risks.

With this in mind, we consider our Company's risk management as a business management instrument that is geared towards realising our corporate goals. It is a systematic, Group-wide process. It helps the Company's management to identify, assess and control risks and opportunities. As such, opportunity and risk management is a uniform process. Risk management renders unfavourable developments and events transparent at an early stage and analyses their implications. This allows us to put the necessary countermeasures in place. At the same time, it allows us to systematically exploit emerging opportunities. We continually fine-tune our risk management and increasingly integrate it into our monitoring and control systems.

Centralised management and efficient organisation

Group-wide risk 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. Overall responsibility for the effectiveness of risk management lies with the Management Board of METRO AG. The sales lines and Group companies are responsible for identifying, assessing and managing risks. Key elements of internal monitoring and control include effectiveness checks in the form of self-assessments by the management and review by the internal audits.

The Supervisory Board of METRO AG is responsible for overseeing 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.

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 Group committee for risks and internal controls headed by the CFO of METRO AG regularly discusses risk management methods and the current risk situation. Aside from the risk management officer, permanent members of this committee include representatives of the Group's Corporate Accounting, Corporate Controlling, Corporate Legal Affairs & Compliance, Corporate Internal Audit and Corporate Strategy departments as well as the CFOs of METRO Cash & Carry and Real.

Group reporting is the central vehicle for internal risk communication. It is complemented by risk management reporting. The aim is to allow for the structured and continuous monitoring of risks and document this in line with legal stipulations. In addition, Group reporting is also tasked with communicating possible risks to the relevant responsible persons.

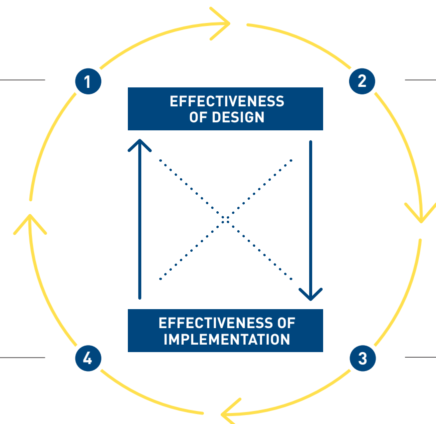
We conduct an annual risk inventory to systematically map and assess all material Group-wide risks based on uniform criteria. The risk management officer sums up the results in a risk portfolio, which includes a description and assessment based on quantitative and qualitative indicators in terms of the extent of damage and the probability of occurrence. This summary enables a comprehensive assessment of the risks and opportunities of METRO GROUP and serves as the basis for the risk report compiled by the risk management officer. The results of the risk inventory and the risk portfolio are updated on a quarterly basis and summed up in a report. An emergency notification system takes effect in case of sudden 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 or the Accounting and Audit Committee about risk management issues. Once a year, the Supervisory Board receives a compre-

Risk management as a closed loop

METRO AG

1 Definition of rules
- Definition of principles and strategy
- Derivation of risk areas from target and control system
- Definition of processes and organisation
- Provision of training material
- Group reporting

4 Monitoring/control (centralised)
- Validation of risk inventory
- Review of effectiveness by internal audit
- Internal risk management system controls



SALES DIVISIONS/SEGMENTS

2 Introduction and implementation
- Introduction of risk management system
- Process implementation
- Compilation of risk reports by units and functions
- Organisation of training programmes and knowledge transfer

3 Monitoring/control (decentralised)
- Self-assessment of risk management effectiveness
- Internal risk management controls
- Confirmation by management

hensive written report informing it about the organisation and alignment of risk management as well as the current risk situation.

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 an effective implementation and continuous improvement of the system based on results and experiences.

Strict risk policy principles

In principle, METRO GROUP takes entrepreneurial risks only if they are manageable and if the opportunities involved promise reasonable value added. The value contribution, which we calculate as EBITaC (EBIT after Cost of Capital), is a key metric for corporate success.

Additional information on the key metric EBITaC can be found in the Group management report in chapter 3 Earnings position on pages 98 to100.

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.

Clearly defined risk management details

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 3 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
— Operational objectives related to the attainment of set key operational metrics
— Corporate management objectives related to compliance with laws, regulations, internal guidelines and specified procedures
— Objectives related to appropriate preparations to mitigate event risks such as breakdowns, business interruptions and other crisis 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, assess and manage risks that would jeopardise or inhibit the achievement of our objectives should they materialise.

On the organisational level, we determine the corporate units responsible for setting objectives in a clearly defined area as well as identifying, assessing 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.

Opportunity identification

The timely recognition and exploitation of opportunities is a critical entrepreneurial duty and secures our Company's long-term success. Ascertaining and communicating opportunities is an integral part of the management and controlling systems between the consolidated subsidiaries and METRO AG. It is the direct responsibility of the management of the sales lines, companies and central holding company units to identify, analyse and exploit operating opportunities. The individual management groups examine detailed market and competition analyses, market scenarios, the relevant cost drivers and critical success factors, including those in the Company's political environment.

Presentation of the risk situation

METRO GROUP primarily faces the risks that are described in the following section.

Business and sector risks

As an international company, METRO GROUP is dependent on political and economic developments in the countries in which it operates. In many European countries, customers are deeply unsettled by the sovereign debt crisis and its effects, including government austerity programmes, as well as rising unemployment. This is dampening purchasing power, consumer confidence and, as a result, private consumption, which in turn makes it more difficult for us to achieve our sales growth objectives. Overall, we expect economic developments in Europe and other developed economies to bottom out in 2013 following a sharper than expected downturn in 2012. 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 2011, the risk-and-opportunities profile for the short- to medium-term development of the retail sector and thus for METRO GROUP has improved only slightly. We are continuing our selective expansion in the growth regions of Asia and Eastern Europe to reduce potential risks posed by the regional variation in economic developments. In the process, we are focusing on business units and countries where we can build a distinct profile and strong market position. For example, the METRO Cash & Carry sales line opened 12 new stores in China in 2012 – more than ever before within one year in one country.

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. At the same time, the international expansion of our business provides us with the opportunity to offset economic, legal and political risks as well as fluctuations in demand in individual countries.

To limit the risks of expansion as far as possible, we plan each market entry meticulously. 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.

Details about the assessment of economic developments can be found in the forecast report on pages 161 to 165.

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.

Shifting consumer behaviour and customer expectations pose risks and opportunities – including in the face of demographic change and increasing digitalisation. Failing to adequately consider customer trends and price developments or missing trends in our assortments or with respect to new sales channels can have a negative impact on Group sales and jeopardise METRO GROUP's growth objectives. To account for these factors, we continually optimise our merchandising concepts and adapt them to our customers' needs and consumption patterns. For example, we are expanding our range of regionally traded products and increasingly customising our assortments to meet our customers' increasing demands with regard to ecological, social and health considerations. All sales lines have established growth programmes aimed at boosting sales and earnings and protecting the intrinsic value of our assets. 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. Our sales lines initially examine the practicability and acceptance of innovative concepts in test stores. Only after successful conclusion of these tests will innovations be introduced systematically and swiftly in other stores. METRO GROUP continuously allocates funds to optimise merchandising concepts and modernise stores. These measures help to secure and expand the competitive strength of all sales brands. Examples include a distinct intensification of our online activities and multichannel business, added delivery options, measures to strengthen our own brands, investments in innovative sales formats and the expansion of our sales activities. In this way, we can reach customers even better and in a more targeted manner.

Internet sales are an important opportunity and, at the same time, a significant risk to our Company's future success. Online retail is experiencing strong growth. We expect this development to continue. As a result, it is imperative for METRO GROUP to further strengthen its Internet sales channel to ensure that it does not leave competitors any room to gain market share. We are taking successive steps to expand our sales lines' online business. In the financial year 2012, we made important strides in our transformation from a purely stationary provider to dovetailed multichannel sales operations with the online stores of Real, Media Markt, Saturn and Galeria Kaufhof. Risks related to this strategy include the high demands placed on logistics and information technology: the success of our multichannel offering depends on our ability to offer our customers fast and reliable deliveries and to guarantee safe, convenient ordering. In addition, it is important to optimally link the stationary business with electronic retailing. With the Redcoon group, one of the leading online retailers of electronic products, we have added a pure play online retailer to our portfolio to counter competition from the sales segment focused exclusively on the Internet.

Location risks

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

— 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.

Additional risks include outdated locations and the need for maintenance or repair work.

METRO GROUP counters these risks through active property management and professional strategic and operative investment controlling as well as the technical risk management of our real estate company METRO PROPERTIES. 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. If none of the measures taken produce the desired result and a sustained improvement in the situation at the respective store or retail outlet is considered unlikely, we will divest of the store and thereby ensure the permanent optimisation of our network of locations.

Risks from portfolio changes
METRO GROUP aims to continuously optimise its portfolio. All portfolio changes and the related strategic and investment or divestment decisions focus on 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.

During the reporting year we sold the cash & carry stores of MAKRO Cash & Carry in the UK including its entire operating assets to Booker Group PLC. Also in 2012 we announced plans to sell the Eastern European business of our Real sales line. This transaction is subject to the approval of the relevant antitrust authorities and is scheduled to be closed in 2013. Following a 2-year test phase, we have decided to discontinue the activities of Media Markt in China. Risks resulting from these portfolio changes are reflected in the financial statements.

Risks related to business performance: suppliers and products
As a retail and wholesale company, METRO GROUP depends on external 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 suppliers in terms of product reliability and compliance with safety and social standards. Defective or unsafe products, an exploitation of our environment or inhumane working conditions 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 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, we conduct special training programmes to help suppliers in emerging markets to fulfil safety standards. We will broaden the training curricula to cover environmental aspects and standards for fair and humane working conditions as well.

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 inacceptable 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. During this time, an appropriate management of the incident is our first priority. 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.

But products themselves can become scarce, too. One case in point is fish, which can become scarce as a result of overfishing. For this reason, METRO GROUP launches own measures and supports initiatives fostering the sustainable use of natural resources. In the fisheries area, for example, we have developed a Group-wide procurement policy and play an active role in the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC). These organisations award product seals for sustainable fishery or aquaculture aimed at the conservation of fish stocks. As early as 2011, METRO GROUP also joined the Roundtable on Sustainable Palm Oil (RSPO). The organisation, which includes companies and non-governmental organisations, works towards the sustainable cultivation of palm oil plants, a raw material used in cosmetics and sweets, in particular. Among other things, we address supply shortages resulting from population growth through central trading offices in key procurement markets.

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 7 Sustainability management on pages 121 to 133.

Business performance risks: logistics

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 and logistics 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 business interruptions. We reduce our dependency on individual suppliers and service providers by expanding our circle of business partners and employing the principle of efficient assignment of responsibilities.

Another logistics risk arises from the generally complex and at the same time underdeveloped supply structures that prevail in emerging 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 use qualification programmes to prepare our suppliers in emerging markets for these logistics requirements.

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 actively engage in various international organisations to foster the developments of these standards and promote the introduction of innovative technologies for improved product identification.

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 as well as 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 server virtualisation allow us to make efficient use of hardware and ensure that key IT systems can swiftly be restored in case one or several servers break down. We operate several central computer centres, which enable us to compensate even for major failures and to limit business interruptions to a minimum. These organisational structures minimise numerous risks, including the risk of natural disasters or criminal acts.

In addition, we ensure that the data we process are correct and can only be viewed by authorised staff. The necessary user accounts and access authorisations are administered centrally according to predefined, partially automated processes – from the employees' hiring through departmental changes to their departure. We regularly check whether Group specifications are adhered to in case of critical user rights and provide centralised reports on the results of our examinations. In particular, this applies to systems serving the planning of corporate resources (ERP, enterprise resource planning). Key processes and IT systems of our central IT company METRO SYSTEMS are independently checked and certified. They are reviewed by a department of Internal Audit that specialises in IT auditing procedures and by external inspectors who certify our processes and systems in accordance with the international standard for audit reports of services companies ISAE 3402 (International Standard on Assurance Engagement).

Awareness of the importance of data protection prevails 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 handle sensitive data undergo on-site training on data protection. Additional measures have been launched in the context of our new, Group-wide data protection guideline.

The dynamic development of information technologies also 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 we can control feasibility and security risks as well as risks related to the integration of these innovations into our existing systems. In particular, we are currently examining the relevance of the following trends:

- IT solutions for private customers can also be used within the Company. This development is initially reflected in the use of mobile devices.
- We are testing the extent to which we can take delivery of computing and storage capacity from partners over the Internet within the context of cloud computing. Our company METRO SYSTEMS is also 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 have started to position our Company in this area, for example through our own Facebook pages and applications for smartphones.

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. This makes in-house qualification measures indispensable. To foster the requisite skills among our employees, we optimise training and professional development programmes for employees at all levels. Training courses and targeted human resources development measures promote entrepreneurial thinking and actions; variable and performance-based pay components serve as an incentive. Direct participation in business success increases employees' identification with METRO GROUP and enhances their awareness of risks and opportunities in all entrepreneurial decisions. With targeted training programmes, which we implement in cooperation with various partners, we manage to attract young people to a job at METRO GROUP and to optimally develop their particular strengths. This also includes integrating 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 to attract the best experts and managers to our Company and retain them over the long term. Succession planning at METRO GROUP, in particular in senior management positions, is guaranteed through customised career paths and development perspectives.

Additional information on METRO GROUP's human resources policy can be found in chapter 5 Employees on pages 111 to 118.

Environmental 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 were the first German retail and wholesale company to calculate its carbon footprint in 2008. This helps us to detect potential risks early on and introduce countermeasures. Smart metering systems provide us with detailed consumption data and thus enable us to further optimise our energy management, for example through the energetic renovation of existing locations. In view of increased expectations we project rising costs from compliance with standards. Conversely, energy saving measures can also help us to reduce our costs. Over the medium term, the effects of climate change can limit the availability of raw materials, for example in the cultivation of grains. METRO GROUP comprehensively reports about the opportunities and risks resulting from climate change within the context of its sustainability management as part of its membership in the Carbon Disclosure Project.

Additional information on environmental protection can be found in chapter 7 Sustainability management on pages 121 to 133.

Legal risks, tax risks

Legal risks arise primarily from labour and civil law cases. In addition, risks for METRO GROUP may arise from preliminary investigations, for example in the context of possible infringements of cartel or competition law. Tax risks are mainly connected to 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 September 2012, a minority shareholder had challenged the non-admission of an appeal against the decision of the Higher Regional Court of Munich of 9 August 2012 by filing a complaint against the denial of leave to appeal before the Federal Court of Justice. If, contrary to the expectations of the Management Board, the Federal Court of Justice were to permit the appeal and, in another procedural step, decide this matter to the disadvantage of METRO AG, 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. 45 "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.

A particular focus is placed on preventing corruption and antitrust-law risks. Corruption risks arise both in dealings with public authorities and public officials, for example in the context of the Company's international expansion or authorisation processes, and in business dealings with suppliers and other business partners. 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. In addition, the Group-wide compliance management system covers other relevant 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 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 anticorruption 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. These efforts are complemented by compulsory training courses, systematic and target-group-orientated communications and the consistent, disciplined handling of compliance incidents and 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 requirements are being increasingly integrated into its operational business processes and reviewed. The internal audit department regularly reviews the effectiveness of internal controls as part of its audit schedule.

Financial risks

The financial department of METRO AG manages the financial risks of METRO GROUP. These include the risk of price changes (interest risks, currency risks, share price risks), liquidity risks, creditworthiness risks and risks arising from cash flow fluctuations.

Ensuring METRO GROUP's unlimited access to the capital markets is part of the management of financial risks. In the process, debt reduction forms an integral component of our strategy. 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 mid-term improvement of our capital market rating.

These risks and their management are described in more detail in the notes to the consolidated financial statements in no. 42 "Management of financial risks".

Presentation of the opportunity situation

Chapter 12 Supplementary and forecast report on pages 161 to 168 describes the opportunities we expect to arise over the next few years.

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

The Management Board, the Supervisory Board and other important bodies of METRO AG are regularly informed about the Company's risk situation. Overall, the risk-and-opportunities profile of METRO GROUP has improved slightly compared to the previous year, which is largely due to a certain stabilisation of economic parameters. To evaluate the present risk situation, risks were not only examined in isolation: the interdependencies between risks were analysed and rated according to their probability. The assessment has shown that the overall risks are manageable. There are no potentially ruinous risks for the Company and no risks could be identified that could endanger the Company's future existence. This assessment is mirrored by the ratings of the 2 leading rating agencies: both Moody's and Standard & Poor's have awarded METRO GROUP an investment grade rating. The Management Board of METRO AG currently does not expect any fundamental change in the risk situation.
The subject areas indicated in the following chart map METRO GROUP's overall risk situation.

Overall risk situation of METRO GROUP

STRATEGY	OPERATING ACTIVITIES	GOVERNANCE	EVENTS
↓ Absence of growth	↓ Negative effects of European debt crisis	↔ Unreliable or ineffective financial reporting	↔ Business interruption
↓ Economically viable store network	↔ Impairment of assets	↔ Tax and compliance risks	
	↔ Inability to engineer cultural change, weak ability to execute		
	↔ Product quality deficiencies		

Risk level	Direction
catastrophic	↑ higher
material to moderate	↔ unchanged
low to immaterial	↓ lower

12. Supplementary and forecast report

Supplementary report

Events after the balance sheet date

Between the balance sheet date (31 December 2012) and the auditor's report (1 March 2013), the following events of material importance to an assessment of the earnings, financial and asset position of METRO AG and METRO GROUP occurred:

On 4 February 2013, the Supervisory Board of METRO AG took the decision to expand the Company's Management Board. Pieter Haas, a member of the Management Board and Chief Operating Officer (COO) of Media-Saturn-Holding GmbH, will join the Management Board of METRO AG in the second quarter of 2013. He will oversee Media-Saturn and business innovation. As a result, the Management Board now has 5 members.

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 2013 and 2013/14

The forecast report on economic parameters is based on the evaluation of lead indicators. In addition, it draws on the analyses of a number of national and international economic research institutes and organisations. Fundamentally speaking, the following conclusions reflect a mid-range scenario of expectations. Forecasts of economic parameters relate to calendar years 2013 and 2014 while the outlook for METRO GROUP and its segments considers the short financial year as well as the financial year 2013/14.

Future economic situation

At the beginning of 2013, the world's economy continued to experience of period of weakness that most probably will linger throughout the first half of the year. Generally speaking, this weakness is expected to impact all important economic centres – at various levels and intensities.

Thanks to steps taken by countries and the European Central Bank (ECB) in 2012, the situation in the eurozone has stabilised somewhat. As a result, the risks arising from the sovereign debt crisis have eased slightly. The measures being applied to reduce sovereign debt remain in place, however. This, in turn, dampens short- and mid-term economic expectations. At the same time, unemployment has climbed to record levels, and no reversal of this trend is in sight at present. In 2013, this development will sap purchasing power and weaken consumer demand. A difficult year is expected to lie ahead of eurozone members, particularly for Greece as well as the high-deficit periphery countries of Italy, Portugal and Spain. In the wake of the downturn experienced in the past year, we, like most economic research institutes, expect the economy to be on the verge of recession. Following a weak first half of the year, a gradual economic recovery is likely to begin in the second half of 2013.

Positive signals for the world economy are being produced once again by China. During the reporting year, the People's Republic produced its lowest level of economic growth since 1999. But the Chinese government succeeded in giving the economy a boost by ramping up investment in infrastructure. At the beginning of 2013, Chinese industry reached a level of output not seen since 2011. Prices simultaneously moved upward. Overall, China can be expected to provide somewhat stronger growth momentum for the world economy in 2013. At the same time, there is a risk that the government's economic policies could further enlarge the country's construction bubble.

The United States could also generate some slight momentum for the world economy as it continues its recovery. At the end of 2012, a temporary solution to the budget fight over the so-called fiscal cliff was found. Had this agreement not been reached, a number of tax cuts would have automatically expired and government spending cuts would have taken effect. Such an event would have dealt a hard blow to the economy. Generally speaking, though, the US sovereign debt and budgetary policies will remain a risk factor as the year progresses.

In 2013, we believe that the world economy will grow by about 2.5 percent, a slight rise from the 2.3 percent increase produced in the previous year. For 2014, we expect the slow recovery to continue. But this recovery will depend significantly on developments in the European financial and economic crisis. As a result of the economy's continuing below-average performance, we do not foresee any fundamental inflationary pressure in 2013. The performance of the retail industry will be hurt by the challenging economic parameters being shaped by the continuing effort to reduce sovereign debt and by high unemployment. For these reasons, the industry's results may only rise slightly above the level achieved in 2012. We see dynamic growth only in the emerging countries of Asia, which remain robust in comparison to the fragile state of the world economy.

Germany

In 2012, Germany was unable to escape the grip of the eurozone crisis. Subsequently, its economy contracted in the 4th quarter. This period of weakness will most likely continue in the first half of 2013. But economic lead indicators are already pointing to a rebound. For the entire year, though, we expect only weak growth of around 0.5 percent (previous year: 0.7 percent).

The positive trends in the German labour market lost significant momentum in the second half of 2012. Given the recent weakness in the German economy, we expect the annual rate of unemployment will rise slightly in 2013. Overall, though, it will remain at a comparatively low level.

The challenging business conditions will hurt private consumption and retailing. By contrast, positive momentum will be generated by disposable income, which is likely to continue to rise in 2013. As a result, we expect only slightly lower nominal growth in retailing compared with 2012. On a price-adjusted basis, it can be assumed that a decrease will occur.

Despite its recent setback, the German economy remains in good shape in a European comparison. It continues to profit from good economic conditions and a continuing high level of competitiveness – in contrast to other members of the EU. For this reason, we expect the economy to pick up speed this year and continue moving upwards in 2014.

Western Europe

The economy of Western Europe will continue to be shaped by the sovereign debt crisis in 2013. Even though a slight stabilisation has been achieved in the eurozone, further setbacks can be expected to occur as work continues to cut sovereign debt. Added to this was the fact that many Western European countries remained in recession at the beginning of the year. Unemployment was at record levels, and government spending cuts were hurting the countries' economies and consumers. As a result of the reductions and the negative short-term effects arising from them, only a slight recovery can be expected. For the entire economic region of Western Europe, we expect that, at best, 2013 will be a year of stagnation following the contraction seen in the previous year. 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 2013, we expect the economies of the crisis countries of Italy, Portugal and Spain to contract. For most of the other countries of Western Europe, we expect that growth will total less than 1 percent.

Private consumption and the retail industry may stagnate, too, following the declines they produced in 2012. Record unemployment and the drain on buying power being caused by government cuts go hand in hand with a loss of consumer confidence. All these factors could dampen private demand for another year.

Eastern Europe

The economies of Eastern Europe are also being hurt by the weakness of Western Europe because both regions are closely linked to each other. In a reflection of this, the sovereign debt crisis in Western Europe has caused Eastern Europe's export economy to slow considerably. Furthermore, direct foreign investment has fallen. As a result, the economic performance of Eastern Europe will primarily depend on a possible recovery in Western Europe. The growth prospects of countries with high levels of international debt will be significantly below those of countries with moderate levels. Overall, economic trends – like those in Western Europe – vary widely. For the entire region, we expect to see growth of more than 2 percent in 2013 following the 2 percent rate generated in 2012. Overall, growth will remain below the rates produced in the pre-crisis years. Like Asia, the region continues to have tremendous economic potential. For this reason, we think that Eastern Europe will generate strong economic growth over the mid-term.

As one of the region's major economies, Russia is expected once again to generate the highest growth rate in 2013, followed by Turkey, which is slowly bouncing back from a relatively weak year. We expect the growth rate for each country to exceed 3 percent. For Poland, we foresee growth of 2 percent, a rate that demonstrates once again that the country is not tapping its full potential. The same can be said about Romania and Bulgaria. At a growth rate of nearly 2 percent, both countries are likely to expand more strongly than they did in the previous year. The Czech Republic and Hungary should produce only a slight gain of less than 1 percent in 2013 following the downturn both countries experienced in 2012. Greece will continue to bring up the rear as its economy shrinks for the sixth consecutive year. Boosted by a slow recovery in the second half of the year, average growth rates produced by Eastern Europe in 2014 are expected to exceed the levels achieved in 2013.

Consumer demand in Eastern Europe is growing faster than the overall economy. In 2013, the retail sector is expected to produce rates like those seen in the previous year. In the process, a slight counterbalancing effect should occur. Countries that have produced strong retail gains, including Russia and Ukraine, are expected to slow somewhat while the economies of countries like Romania and the Czech Republic that exhibited weakness in 2012 will slowly rebound.

Asia/Africa

Following a noticeable downturn in the emerging countries of Asia in 2012, we expect to see somewhat stronger economic momentum in 2013 and 2014. China is again viewed as the country with the most rebound potential. At the beginning of 2013, it was already generating high rates of growth in production, and its economy as a whole appears to be back on track for growth – while still facing the previously mentioned risks. After producing growth rates of 7.8 percent in 2012, China's economy should expand by more than 8 percent in 2013. Vietnam and India also should generate some renewed momentum in 2013 and 2014 – following a slowdown in 2012 that, at times, was very pronounced. But this momentum should remain below the levels generated in the pre-crisis years.

Private consumption should track similar trends in economic growth. After producing substantially lower growth rates at times during the reporting year, this segment should generate higher levels of growth in 2013 and 2014. This growth – like that of the economy itself – will not reach the rates achieved in recent years. By contrast, retailing in China, India and Vietnam may in some cases generate double-digit nominal growth rates in 2013 and 2014.

In Japan, the downturn that began in the second half of 2012 will initially continue. In spite of a far-reaching economic stimulus package and an expected improvement in economic conditions in the second half of 2013, growth rates will likely trail behind the levels produced in the previous year. In this saturated market, the retail industry will experience another year of below-average growth. In 2014, we do not foresee any significantly higher level of growth due to the country's structural problems.

In 2013, the economic situation in Egypt will probably continue to be hurt by the country's continuing political uncertainty. Overall, though, we expect a slow economic recovery to occur.

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 performance of the cash & carry segment is tied to macroeconomic conditions. We expect that the phase of economic weakness will continue in the first half of 2013 and that a gradual recovery will begin in the second half of the year. This rebound should continue in 2014. Trends will vary among regions and within individual economic zones. We assume that these inconsistent economic activities will also be reflected in the performance of the cash & carry segment.

In Germany and Western Europe, we foresee no growth momentum arising for the cash & carry segment due to the financial and sovereign debt crisis. Demand in food retail should reach the same approximate level produced in previous years. Price increases could have a positive impact on revenue trends. Sales produced by nonfood products will most likely decline slightly in 2013. Depending on economic conditions, the negative trend could reverse in 2014. In countries being hit hard by the euro crisis, a moderate contraction is expected to occur in the cash & carry segment. In the Western European countries that are being less affected by the crisis, we foresee stable or slightly rising sales for the cash & carry segment in 2013 and 2014.

In Eastern Europe, we expect the cash & carry segment to continue growing in 2013 and 2014. In addition to price increases, which will exceed the Western European level, higher demand is expected to have a positive effect. In Russia and Turkey, the cash & carry segment will grow thanks to good business conditions. By contrast, we expect sales in Greece will dip in 2013 as the country's economy continues to contract. From 2014, new growth is possible – if the economy rebounds.

In Asia, cash & carry sales will rise in both 2013 and 2014. The cash & carry segment continues to generate very high growth rates in this region, and these rates exceed those of modern food retailing. In this region, the sector continues to have weak competition from other modern formats. As a result, traditional retailers, a key customer group of cash & carry businesses, continue to offer tremendous potential. We expect that this customer segment will remain very important following an easing of India's ban on direct investments by international retailing chains.

METRO Cash & Carry will press forward with its international expansion in 2013 and 2014. The focus will remain on the growth regions of Asia and Eastern Europe.

Real

Demand for food is primarily determined by direct needs. As a result, food retailing is affected by economic swings to a comparatively lesser degree. For this reason, we expect that, in 2013 and 2014, demand in German food retailing will remain at the level produced in the previous year. This should also remain the case should the euro crisis have a bigger impact on the German economy and labour market than experts are forecasting at the moment.

In 2013 and 2014, growth momentum for German food retailing is expected to be generated only by positive price effects primarily caused by high prices for raw materials. The rise will roughly equal the one produced in 2012. As a result, we expect that, in 2013 and 2014, German food retailing will continue to grow at the 2012 level.

Media-Saturn

Compared with other retail sectors, consumer electronics retailing is much more cyclical. Because countries' economic conditions are expected to differ widely in 2013 and 2014, the varying regional trends in consumer electronics retailing will continue.

For Germany, sales produced by consumer electronics retailing are expected to climb. This view is shared by both the German Association of Consumer and Communication Electronics and the trade association BITKOM. The experts predict that sales produced by both consumer electronics and information and communications technology will rise. The specialists also expect that demand for televisions in 2013 will once again reach the record level reached in the previous year, when more than 10 million sets were sold. Demand is also expected to climb for devices such as tablet PCs and smartphones. In 2014, we expect the Winter Olympics and the World Cup football championships to generate growth momentum that will result in positive demand – as they have done in the past.

In Western Europe, the sector will continue to be impacted by the economic problems being experienced by many countries in 2013 and 2014. In 2013, we expect business performance will be weak particularly in such euro crisis countries as Italy, Spain and Portugal. After hitting bottom, the sector could rebound from 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 in Western Europe. Despite these optimistic expectations, many uncertainties are associated with the outlook for the consumer electronics retailing sector as a result of the questions about general economic trends.

In Eastern Europe, we also foresee differing trends in consumer electronics retailing for 2013 and 2014. For Russia and Turkey, we expect to see continued growth in the sector during 2013 and 2014. Momentum will be generated in both countries by continued efforts to exploit these markets' untapped potential. In Russia, we also expect that the Winter Olympics in Sochi will produce a surge in demand during 2014. By contrast, the sector will continue to contract in Eastern European countries that are wrestling with economic problems. This is particularly the case for Greece.

Throughout the regions, online sales will continue to grow and gain market share at the expense of stationary consumer electronics stores. Multichannel providers like Media Markt and Saturn can profit from this trend by optimally combining the strengths of both sales channels. Media Markt and Saturn will continue to link both sales channels in other countries as a way of further expanding their own market position.

Galeria Kaufhof

In 2013, business developments at Galeria Kaufhof will depend on the extent to which the euro crisis negatively impacts the economy and consumer confidence in Germany. From the second half of 2013, the economic situation is likely to improve once again. In this case, private consumption may generate positive momentum for retailers. Galeria Kaufhof would profit from this as well. The trend will continue in 2014.

In 2013 and 2014, we expect that the department store sector will be weaker than the retail industry as a whole once again. On the one hand, this will result from the continued reduction of overcapacities in the sector. On the other hand, the competitive pressure being exerted by rapidly expanding online retailers remains high and will extend to further product groups. To fend off this competition, stationary and online operations must be tightly linked, and a clear positioning in the store-based business must be established. As the concept and system leader in the department-store segment, Galeria Kaufhof has successfully established this link. As a result, we believe the sales line will outperform competitors in the next 2 years.

Expected earnings situation: outlook for METRO GROUP and its segments in 2013 and 2013/14

Change of financial year

On 23 May 2012, the Annual General Meeting of METRO AG took the decision to change, effective 1 October 2013, the financial year at METRO AG from the calendar year to the period of 1 October to 30 September of the following calendar year. For this reason, a short financial year extending from 1 January 2013 to 30 September 2013 will be used this year. In a reflection of this decision, this forecast report addresses both the short financial year 2013 (1 January to 30 September 2013) as well as the next financial year 2013/14 (1 October 2013 to 30 September 2014). Statements made about the short financial year 2013 are based on a comparison with the 9-month period of January to September 2012. Statements made about the financial year 2013/14 are based on a comparison with the period of 1 October 2012 to 30 September 2013.

Portfolio changes

It is possible to compare the short financial year with the same period in the previous year only to a limited extent due to portfolio actions taken or announced in 2012. This applies in particular to

— the deconsolidation of MAKRO Cash & Carry's UK activities on 30 September 2012 with retroactive effect from 4 July 2012,
— the divestment of Real's activities in Eastern Europe (excluding Turkey), an action that has already been contractually agreed on, but that is still awaiting approval by antitrust authorities and
— the discontinuation of Media Markt's business in China.

Expected sales development at METRO GROUP in 2013 and 2013/14

For the short financial year 2013, we expect – in spite of the continuing difficult business conditions described above – to generate moderate growth in sales (adjusted for the previously described portfolio changes). In the subsequent financial year 2013/14, we expect to see this moderate growth in sales continue compared with the respective period for the previous year. These projections are based on the assumption of virtually unchanged exchange rates.

Expected earnings development at METRO GROUP in 2013 and 2013/14

Earnings trends in the abbreviated financial year 2013 will be impacted by the uncertain economic situation described earlier. As a result, we will continue to closely focus in 2013 and future years on efficient structures and strict cost management.

In the short financial year 2013, we expect EBIT before special items to increase compared to the level achieved in the corresponding period of the previous year (€704 million). This projection is based on the assumption of higher income from the sale of real estate assets compared to the year-earlier period. Due also to the lack of major sports events, operating earnings are expected to fall short of the level of the first 9 months of 2012.

Barring a sustained deterioration of economic parameters, we expect to generate higher EBIT before special items in the financial year 2013/14 compared to the corresponding period of the previous year.

Expected sales development of the segments of METRO GROUP in 2013 and 2013/14

In our forecast for the segments, we are applying the previously discussed expectations regarding general economic conditions and specific sector trends. In the process, we are comparing the short financial year 2013 with the respective period of the previous year (1 January to 30 September 2012). The comparisons made for the financial year 2013/14 (1 October 2013 to 30 September 2014) apply to the period of 1 October 2012 to 30 September 2013.

At METRO Cash & Carry, we expect limited sales growth in the short financial year 2013 (adjusted for the cash & carry business in the UK) and another small increase in sales during the financial year 2013/14.

At our hypermarket business Real (adjusted for Real Eastern Europe excluding Turkey), we expect to generate a moderate increase in sales during the short financial year 2013 and another small increase in sales during the financial year 2013/14.

At Media-Saturn, Europe's leading consumer electronics retailer, we expect sales generated during the short financial year 2013 to rise slightly (adjusted for Media-Saturn in China) and project another increase in sales in the financial year 2013/14.

At our department store business Galeria Kaufhof, we expect sales during the short financial year 2013 to remain roughly at the previous year's level in spite of 4 store closings in mid-2012. For the financial year 2013/14, we expect to generate a small increase in sales.

Expected EBIT development of the segments of METRO GROUP in 2013 and 2013/14

The short financial year 2013 will not include the Christmas quarter that plays such a major role in EBIT. This will have a significant impact on the operative sales lines where the non-food business plays an important role. For this reason, EBIT before special items in the short financial year 2013 will be determined in particular by METRO Cash & Carry and the real estate business. Barring a sustained deterioration of economic parameters, we expect a slight increase in earnings in all segments in the financial year 2013/14 compared to the corresponding period of the previous year.

Expected development of the financial result

In terms of the financial result, we expect to see a slight improvement during the short financial year 2013 due to the low level of interest rates. Compared with the respective period in the previous year, this improvement should continue in the financial year 2013/14.

Expected tax burden

For the short financial year 2013, we expect an above-average tax rate. This will arise primarily from the lower pre-tax result in the short financial year – due to the absence of the Christmas business. By contrast, tax expenses will be relatively high because no tax benefit from the measurement of domestic tax losses can be considered. A comparison between the tax rate of the 9-month period of 2012 and the expected tax rate of the short financial year is not possible. The reason is that taxes are determined during quarterly reporting under the rules of 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 12-month period. But the tax result in the short financial year covers 9 months. We expect a lower tax rate in the financial year 2013/14.

Dividend policy

In the context of a dynamic dividend policy, the size of dividend payouts principally depends on the development of net profit for the period before special items. In future, we intend to continue to distribute a competitive and attractive dividend. But METRO GROUP generates a large share of its earnings in the final quarter of the calendar year. This all-important quarter will not be included in the short financial year 2013.

Expected employee development

The workforce of METRO GROUP will decrease largely as a result of the portfolio changes. This decline will be only partially offset by new store openings.

Expected financial position

Planned long-term financing measures

For many years now, METRO GROUP has enjoyed exceptional access to international capital markets. No bonds will become due in the short financial year 2013. The next maturity date is November 2013 when a bond totalling €500 million will mature. This bond was issued at the height of the financial market crisis and bears an annual interest rate of 9.375 percent. The repayment will substantially reduce the Company's interest rate obligations in the financial year 2013/14. A bond issued in December 2012 with an annual interest rate of only 2.25 percent can be used in its entirety to repay the initial bond. METRO GROUP can also draw on lines of credit for use in refinancing. No financing measures must be implemented in the short financial year. Depending on the market situation, taking such steps may be reasonable and possibly meet financing needs at an early stage for the financial year 2013/14, when a bond of €600 million becomes due in July 2014.

Further information about our refinancing measures can be found on pages 105 to 106.

Planned investments

During the short financial year 2013 and the subsequent financial year 2013/14, we are planning to carry out our investments in a focused, flexible manner that is guided by general economic trends. In particular, investments are being planned for modernisation, further development of concepts and the opening of new stores. Today, we expect that investment volume for the short financial year 2013 will fall below the level of

€954 million, which was invested in the same period of the previous year. We expect to open a total of 30 to 40 new stores at the sales lines METRO Cash & Carry and Media-Saturn. For the financial year 2013/14, we expect new openings to remain roughly at the level of the same period in the previous year.

Expected development of liquidity and net debt

In retailing, liquidity and net working capital are shaped by the importance of the fourth quarter. For this reason, net debt at the end of the short financial year 2013 will substantially exceed the total at the end of the calendar year 2012. Net financial debt after netting of cash and cash equivalents as well as monetary investments with borrowings (including finance leases) totalled €7.7 billion on 30 September 2012. At the end of the short financial year 2013, we expect to see a slight improvement compared with 30 September 2012 that should continue in the financial year 2013/14. In addition, we expect to generate additional liquidity by further optimising net working capital.

In addition, liquidity in the short financial year 2013 will likely be impacted by the effects of the portfolio changes and the acquisition of a stake in Media-Saturn-Holding GmbH.

Non-financial goals

In addition to its financial targets, METRO GROUP has set a number of non-financial goals. We discuss them in the sustainability report, which is being released simultaneously with the annual report for the first time. The non-financial goals involve 4 fields of activity: "supply chain and products", "energy and resource management", "employees and social affairs" as well as "social policies and stakeholder dialogue".

Opportunities

METRO GROUP has a number of opportunities for future sustainable business development that also extend beyond the 2-year period covered in the forecast report. Global trends also play a role here. In particular, we see opportunities being created by new sales channels, by demographic change in the mature markets of Western Europe that have aging populations and by the continuing growth of the population in developing and emerging countries, a trend that will produce many new needs. Our sales lines analyse these trends and take decisions aimed at systematically exploiting opportunities of the future.

Opportunities from the development of business conditions

In contrast to Southern Europe and some countries in Eastern Europe, many other regions and countries have rebounded since the worldwide financial crisis subsided. Above all, Asia and Russia exhibited a very strong and promising development in 2012. Our sales and earnings could profit from a further 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.

Strategic business opportunities

Our sales lines have high levels of brand equity in the countries where we do business, and we have assumed leading positions in most of the markets. We must further strengthen and expand these. Developments of recent years have shown that weak market players must pull out or be put up for sale. Because this market share has to be redistributed, we are working to fill these gaps or, when reasonable, to take over the individual locations of competitors.

A major opportunity is being created by online sales. This channel enables us to reach new customers who consider online shopping to be a convenient alternative. All our sales lines have online shops in Germany and many other countries. Unlike strictly online providers, our multichannel approach creates real added value for customers. We expect to see market players in both the stationary and online business drop out.

Demography offers a tremendous opportunity for METRO GROUP. The population of Western Europe is aging, and customer needs are being shaped by this trend. Our sales line Galeria Kaufhof has already won several awards for the approach it is taking to focus on 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.

Business performance opportunities

In addition to general cost cutting, we are creating a foundation for long-term success by increasing our productivity. 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.

In addition to cost components, quality is a critical differentiating factor that is particularly relevant for food. Using 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 that will indeed require investments, but that will save money in the end by lowering energy costs. In turn, these savings will create an array of financial and environmental benefits and improvements. By 2020, we intend to reduce greenhouse gas emissions by 20 percent per square metre of selling space compared with the levels of 2011.

Overall statement by the Management Board of METRO AG on the expected course of METRO GROUP

In years to come, our goal is to achieve a long-term positive development for METRO GROUP. We will continue to expand METRO GROUP's position as one of the leading international retail and wholesale companies. The development of the multichannel business offers enormous growth opportunities.

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 prepared for the future.