METRO GROUP 2012
STRATEGY

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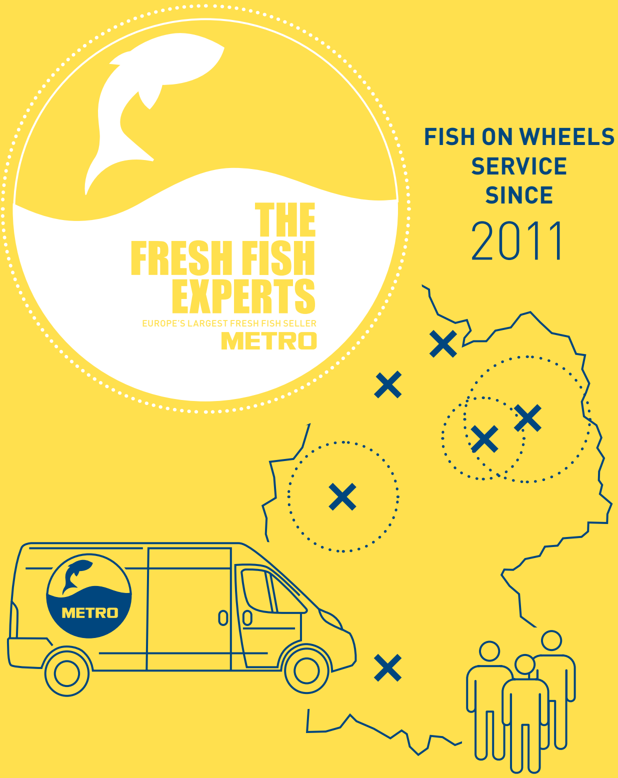
WE'RE CREATING CUSTOMER VALUE

FRESH AND CONVENIENT: THE FISH ON WHEELS SERVICE

Customers who want to cover their product needs at METRO Cash & Carry have a number of options to choose from: the local wholesale store, delivery – and, since 2011, a mobile fish sales service. In Germany, our sales line has created the fish on wheels service, a mobile fish department that supplies fresh products to restaurants every day. The fish is sold directly from the vehicle. Service observes all relevant quality and hygiene standards, in particular the internationally recognised HACCP (hazard analysis and critical control points) norm. Today, 17 wholesale stores have their own fish on wheels service. This service offered by our sales line primarily serves those customers who have previously not bought their fish at METRO Cash & Carry. The benefit for professional customers: they receive high quality and save time.



STRATEGIC POSITIONING OF METRO GROUP

METRO GROUP

METRO GROUP, based in Düsseldorf, is a leading international retail and wholesale company. In terms of sales, we are the fourth-largest retail and wholesale company worldwide and one of the world's 100 largest corporations. Our operating business involves self-service wholesale trade, hypermarkets, consumer electronics stores, department stores and online trade. The Company's 4 sales lines represent a unique range of products and services for private and professional customers:

- METRO Cash & Carry is the leading international player in self-service wholesale trade.
- Real is one of the leading hypermarket companies in Germany.
- Media-Saturn is No. 1 among consumer electronics stores in Europe.
- Galeria Kaufhof is one of Europe's leading department store operators.

Our 4 sales lines conduct their business activities autonomously in the marketplace. In the process, they continuously tap new sales channels in order to establish long-term relationships with existing customers and to reach new target groups. Within this context, multichannel marketing is becoming more and more important. In consequence, our sales lines are increasingly dovetailing their stationary business with online retailing. In addition, Media-Saturn offers mail-order retail on the Internet.

METRO GROUP does business at 2,243 sites in 32 countries across Europe, Asia and Africa. We have bundled our attractive retail real estate portfolio and relevant activities into METRO PROPERTIES. It offers real-estate-related services from a single source within our Company. This allows the sales lines to concentrate more closely on their core business.

Around the world, 278,811 people are employed by our Company. They passionately work to optimally fulfil the expectations of our customers. At the same time, the sales lines are constantly refining their formats and adapting them to meet the changing shopping habits of consumers and professional customers. The objective: to win over our customers day in and day out and offer real added value – in our stores, in our online shops and in our customers' homes and businesses. In all sales lines, we take account of specific local requirements and closely identify areas in which we can sharpen our performance profile to enhance customer satisfaction.

As an international retailer, we have considerable strength. This strength benefits not only our customers, but also all people in the places we do business. After all, we create growth momentum for the regional economy and play a role in improving the quality of life in these areas. In one reflection of this, our stores secure local supply and create jobs. By forming and expanding supplier relationships, we can establish international standards in such areas as quality assurance and food hygiene. As a result, we create conditions that are vital to the further development of a region and the improvement of living conditions there.

"METRO GROUP. We offer quality of life." is the guiding principle of our vision for sustainability. Our business activities unite economic, environmental and social principles for the benefit of our customers, our employees, all people who work for us along the supply chain, society as a whole – and our investors.

Focus on added customer value

The objective of our strategy is improving like-for-like sales and ensuring sustained positive earnings development. The foundation of this effort is formed by the 5 focal points Transform, Grow, Improve, Expand and Innovate. They describe our business philosophy and lend a shared direction to our Company across all sales lines and companies: creating added value for our customers.

METRO GROUP's 5 strategic focal points are discussed in more detail on page 23.

Additional information about METRO GROUP's sustainability management can be found on pages 121 to 133 as well as in our sustainability report, which is included in this annual report.

METRO Cash & Carry

METRO Cash & Carry – the name does not just stand for a leading international player in self-service wholesale. It also stands for the largest sales line of METRO GROUP. At the same time, it is the cradle of the Company: the first METRO Cash & Carry wholesale store was opened in 1964 in Mülheim an der Ruhr, Germany, by METRO AG founder Otto Beisheim, who died in February 2013. Its concept was revolutionary at the time: professional customers could select their own purchases all under one roof, pay for them in cash and take the items with them. Today, METRO Cash & Carry has established itself among the top players in its international industry: in 2012, sales totalled approximately €32 billion with an EBIT before special items of €947 million. As a result, the sales line produces around 50 percent of METRO GROUP sales and EBIT.

Our sales line operates under the brand names METRO and MAKRO in 29 countries in Europe, Asia and Africa. In Germany, the portfolio is complemented by the C+C Schaper brand. Every day, more than 100,000 employees around the world work to make their customers successful. Hotel and restaurant owners, catering firms, independent retailers, service providers and public authorities, in particular, value the comprehensive range of products offered by METRO Cash & Carry. For each of these customer groups, our sales line offers customised assortments and services at an excellent value for money. This offer is complemented by such innovative solutions as retail concepts and professional consulting services to optimally support professional customers in their respective businesses and make these more successful.

The customer is the central focus of all products and services provided by METRO Cash & Carry. The aim is to markedly improve the satisfaction of and added value for all groups. This is the only way the Company can produce sustainable growth in sales and earnings. The new strategic focus initiated by METRO Cash & Carry is entirely centred on the customer. The focus is on the actual retail business and the relationship with customers and suppliers. All related processes are currently under review and are being measurably improved. The goal: METRO Cash & Carry will be able to more quickly identify the needs of professional customers in order to offer them specific products geared to their needs – so their businesses can make a profit. In all METRO Cash & Carry countries, local specialists work with experts from Company headquarters to improve the range of products and their availability, refine assortment design, devise a more competitive price policy and develop services for more comfortable shopping.

Focused on the customer: tailor-made sales formats

A broad product range, quality, freshness and tailor-made services are the compelling advantages METRO Cash & Carry offers commercial customers in 29 countries around the world. The assortment comprises 20,000 food and 30,000 nonfood items. The cash & carry company markets brand products of renowned producers as well as own-brand products that couple high quality with attractive prices. METRO Cash & Carry emphasises local products: up to 90 percent of its assortment is purchased from local producers and providers. Another strength is METRO Cash & Carry's flexible sales concept, which can be optimally adapted to meet the specific conditions and needs of the respective countries. METRO Cash & Carry varies its formats, particularly with respect to assortment depth and selling space, which can cover from 2,500 to 16,000 square metres. Most of the stores have a selling space of between 6,500 and 8,500 square metres – the ideal size for customer needs in Eastern Europe and Asia. By contrast, larger store formats are also widespread in Western Europe.

In addition, METRO Cash & Carry is increasingly adding new sales formats to account for different customer groups' expectations and needs. The wholesaler's MAKRO Punkt format, for example, is especially geared towards independent regional retailers in Poland. On a selling space of about 1,500 square metres, the store primarily offers beverages and tinned foods as well as dairy products and core assortments in the areas of fruit and vegetables – exactly those products that a kiosk or small grocery store needs to run a successful business. At the end of 2012, METRO Cash & Carry operated 11 MAKRO Punkt stores in Poland; about 2,000 food products are always on sale in the stores. To complement their own offer, the stores may also utilise the storage space and assortment of the nearest METRO Cash & Carry wholesale store. Using different brand names, METRO Cash & Carry is now rolling out the concept in 6 additional countries: Bulgaria, Croatia, Romania, Russia, Serbia and Ukraine.

METRO Cash & Carry has developed a special format for city centre locations that has already been introduced successfully in France and was introduced in Italy in 2012. These stores with a selling space of up to 3,000 square metres address the needs of hotels, restaurants, and catering firms, in particular, and primarily offer fresh foods. Thanks to central downtown locations, METRO Cash & Carry can shorten trips made by suppliers and customers. This provides for fast and comfortable shopping – and makes it easier for customers to quickly meet urgent needs in a cost-effective manner. METRO Cash & Carry opened the first stores with this format in 2010 and 2011 in Paris. It added 1 in Rome in 2012: La Casa dell'Horeca. This new store also boasts environmentally friendly technologies: energy-saving freezers, LED lamps and the best possible use of daylight help to keep energy consumption low. In addition, the store is outfitted with solar panels so that hot water and electricity can be generated on site.

With its new formats, METRO Cash & Carry can tap business opportunities outside metropolitan areas and in areas where the operation of a larger store would not be profitable. In this way, our sales line continues to strengthen its leading role in the self-service wholesale segment.

Expanded business model: delivery

Delivering goods to customers contradicted the original cash & carry concept for many years. The delivery service is now considered one of the most important successes in the sales concept's transformation. This option has become an integral part of the services offered in all countries where METRO Cash & Carry does business. Around the world, several thousand employees work to process customer orders, package products and then deliver them. By expanding its business model, METRO Cash & Carry aims to win new customers, with a particular focus on hotel and restaurant owners as well as catering firms. At the same time, the sales line thus improves the service it provides to its current top customers. During the financial year 2012, the sales line generated sales of about €2.2 billion – a 33 percent increase over 2011 – with this service.

Thanks to this delivery service, METRO Cash & Carry is creating added value for customers in the form of time savings that are worth their weight in money. Professional customers can quickly place their individual orders by e-mail, by fax or by telephone. In selected countries, our sales line also offers the option of ordering goods from an online catalogue on an experimental basis. Customers typically receive their orders within 24 hours. At the same time, the delivery service guarantees that customers consistently receive high-quality, safe products. By delivering the products, METRO Cash & Carry ensures that the logistics cold chain remains intact and that all principles of the internationally recognised quality assurance concept HACCP (Hazards Analysis and Critical Control Points) are applied at all times. Such additional services as individual order forms and pre-commissioning round out the sales line's service range.

To further improve its service for customers, METRO Cash & Carry offers customers in a number of countries such as China the opportunity to order office supplies directly over the Internet and have the requested articles delivered.

Rigorous service focus

Independent traders – especially in emerging markets – are important to METRO Cash & Carry. For this customer group, our sales line has developed specially tailored trader support programmes. The key aim of these programmes is to bolster the competitiveness of small retailers, protect their independence and establish long-term business relationships with these customers. The programmes comprise country-specific measures that help to professionalise and modernise commercial customers' business. Together with the customer, for example, METRO Cash & Carry analyses and assesses specific store parameters and operations. Based on the collected data, the sales line's employees develop specific improvement measures, for example with a view to assortments, prices, store layout and marketing. In Russia and India, METRO Cash & Carry organises seminars to impart specific trade knowledge to retailers.

Our sales line is testing a franchise concept for small independent traders and kiosks in Bulgaria, Poland, Romania and Serbia. Here, METRO Cash & Carry acts as a kind of franchisor with an individual advertising campaign and offers the companies training, advice on assortments, marketing packages and professional price comparisons. The store owners manage their stores completely independently, but use uniform logos and the joint advertising campaign for their own purposes. METRO Cash & Carry provides the necessary expertise, offers professional support and delivers the products. In turn, retailers agree, among other things, to include a minimum number of own-brand articles and products in their assortments. In addition, the assortment of the small food stores is designed to ensure that consumers find everything to satisfy their daily needs – including fresh fruit and vegetables. All store owners use a uniform logo in their stores and adhere to agreed-upon standards: this ensures brand value. In Poland, about 1,500 small traders have signed up for the concept that operates under the name ODIDO – twice as many as in the previous year. In Romania, 500 METRO Cash & Carry customers operate under the name LaDoiPași. Our sales line also helps professional customers to start up businesses.

Strong own brands for professional customers

Since 2009, METRO Cash & Carry has been forging ahead with its own-brand strategy through a focused product portfolio: the 6 core own brands of Aro, H-Line, Horeca Select, Fine Food, Rioba and Sigma offer excellent value for money and thus real added value, particularly for professional customers. The own-brand share of METRO Cash & Carry's total sales rose by 1 percentage point to 16.7 percent in the financial year 2012 compared with the previous year.

International presence

METRO Cash & Carry is more international than any other METRO GROUP sales line. It operates in 29 countries on 3 continents and faces different parameters in each individual market. While trade structures in the Western European markets are already fully developed, markets in Eastern Europe, Asia and Africa are in different development phases.

To more quickly address regional economic challenges and better exploit market opportunities, our METRO Cash & Carry sales line realigned its management structures in April 2012: business in the 8 core countries of China, Germany, France, Italy, Poland, Russia, Spain and Turkey is now the direct responsibility of the CEO. These countries generate approximately two-thirds of METRO Cash & Carry sales. Activities in the other countries where METRO Cash & Carry does business are overseen by 3 regional management teams. The new structure of the sales line allows for greater market and customer centricity and will facilitate fast implementation of growth programmes.

METRO Cash & Carry continued its expansion effort in the financial year 2012. A total of 46 wholesale stores were newly opened. The international share of sales rose from 83,5 percent to 84,3 percent. The Company will not continue to pursue the planned market entry of METRO Cash & Carry in Indonesia. We have taken the strategic decision to first concentrate on improving like-for-like sales in existing markets and accelerating expansion in selected countries. In the financial year, we also sold the wholesale business of MAKRO Cash & Carry in the United Kingdom to Booker Group PLC.

The focal areas of expansion are the growth regions of Eastern Europe and Asia, particularly China, Russia and Turkey.

Real

"One store, you won't need more!" This is the brand promise our Real sales line fulfils each and every day. With a comprehensive range of food products including a large share of high-quality fresh items, a broad assortment of nonfood products and an attractive price-performance ratio, Real is one of Germany's leading hypermarket operators. Our sales line operates 312 stores across Germany and 12 in Turkey. The Real business in Eastern Europe will be taken over by the French retailer Groupe Auchan.

Real's hypermarkets have between 5,000 and 15,000 square metres of selling space. These stores offer customers all the products that cover their daily needs under a single roof. Real generates three-quarters of its sales with food items. The centrepieces of its product range are fresh foods, including fruit, vegetables, meat, sausage, fish and cheese. Real also offers a wide range of nonfood items, including electronic devices, household products and textiles. Customers can find up to 80,000 different items in every Real hypermarket.

New structure for increased customer orientation

To improve profitability over the long run and increase added value for customers, our sales line is resolutely pressing ahead with realignment. After all, one of Real's main goals is to systematically serve and exceed customers' expectations, cultivating customer loyalty in the process. Customer orientation is thus at the heart of the sales line's activities – in both assortment design and all service offerings.

Against this backdrop, Real began restructuring its sales activities in the financial year 2012. In April 2013, the number of sales regions in Germany is to be cut from 7 to 3. This will allow Real to streamline processes to reduce administrative expenses. In the new structure with the regions North, South and East, the hypermarkets will receive more individual responsibility and discretion in designing assortments. This will allow store managers and their teams to more quickly and flexibly respond to the needs and shopping habits of their customers with local products.

In the financial year 2012, Real continued to make strides in improving customer orientation as indicated by the results of a 2012 study on food retailing conducted by the German Institute for Service Quality (DISQ) for the news channel n-tv. The market research company evaluated 17 companies using mystery shoppers. During the test, Real received good scores in the categories of service quality and price-performance ratio. In the overall ranking, our sales line was awarded second place and improved its ranking by 6 places compared with the previous year. As a result, Real was named "Most Improved 2012".

Entrepreneurship at the local level

In the financial year, Real continued the "Entrepreneurship at the Local Level" project that it launched in July 2010. The objective of this project is also to more quickly and efficiently address individual customer needs in the respective regions. Within a defined period, store managers can autonomously take decisions about the product range, prices, product placement, advertising, processes and personnel. This approach helps central guidelines to be more effectively modified to address the specific market and competitive environments. An additional 21 hypermarkets have joined the pilot project since the beginning of 2012, increasing the number of participating stores to 25. Real constantly monitors sales and earnings trends at these hypermarkets to measure the programme's success. The project has enabled our sales line to further markedly improve the working relationship between responsible store managers and category management. As a result, in many areas of its assortments Real now offers products that precisely meet the individual needs of customers in the respective regions, including regional assortments that satisfy the need for products from local producers and respond to customers' growing environmental consciousness.

Customer processes anchored in core business

In the financial year 2012, Real developed a system to more firmly anchor customer orientation in the core processes of day-to-day business. The system is based on a comprehensive analysis of market data and customer information that resulted in the segmentation of 10 core customer groups. One example is "young, quick cuisine": consumers in this group prefer convenience and frozen products and are prepared to try innovative items. For each of these 10 groups, so-called "customer insights" were compiled from the results of the analysis. These insights into customers' specific needs, desires, challenges and habits form the foundation for devising targeted strategies for assortment design, pricing, product placement and marketing. In one reflection of this, tinned peaches are placed next to tart cases in the baking section.

The various awards presented to Real during the financial year 2012 testify to its success. It received a special award as part of Salescup, an annual contest for successful sales campaigns sponsored by the trade newspaper "Lebensmittel Zeitung". The publication honoured Real in the category in-store promotion for the successful realignment and upgrade of its dry foods section. The more than 79,000 readers of the magazine "Meine Familie & ich" nominated the Real hypermarket on Äppelallee in Wiesbaden as one of Germany's best grocery stores. In October 2012, the magazine also awarded the Prix de Regie to the hypermarket Passau to honour the outstanding commitment of the stores' employees.

In addition, the results of the customer barometer 2012 demonstrate that Real continued to improve in key aspects such as friendliness, competence and staff availability. Real also substantially improved customer satisfaction in the areas of product variety, value for money and store layout. The customer barometer is a telephone survey of about 34,000 German consumers which Real conducts once a year, most recently in January and February 2012. The survey questions address service aspects that are very important to Real. These provide the basis for the calculation of a performance index. Furthermore, Real has used additional indexes to measure the trust and loyalty of its customers since 2010.

Own-brand products strengthened again

With the 3 own brands "real,- QUALITY", "real,- BIO" and "real,- SELECTION", the sales line offers its customers an alternative to traditional brand products priced in the medium to upper ranges that is both inexpensive and of equal quality. With "TiP", Real also offers one of Germany's most well-known private labels in the budget price segment. In 2012, Real offered about 5,000 own-brand products in its assortment – expanding its assortment of food and nonfood products by 400 items. The products that Real sells under its own name help to sharpen the brand's profile. In addition, Real further increases its gross earnings because the margins for own-brand products are better than they are with traditional brand products. On top of that, Real's assortment contains an additional 8,600 exclusive own-brand products that do not use Real in their names. These brands include:

- "Alaska" – household appliances
- "Villa Noblesse" – home textiles and household goods
- "My Little Bear" – baby textiles and hardware
- "active" – sports textiles and hardware

In 2012, Real introduced the new own brands "Designer's Mama" for maternity clothing and "Big & Chic" for women's and men's clothing. It gave "Alaska" a facelift with a newly optimised, higher-quality design to raise brand recognition. With a broad selection of own-brand products, complemented by many items made by well-known companies, Real optimally meets the diverse needs of its customers.

Upgrading of stores

To make its hypermarkets more attractive to customers, Real continued to systematically modernise its stores in 2012 as part of the sales line's new strategic focus on Germany. Most hypermarkets have been upgraded. During the financial year, 3 stores were substantially remodelled: the hypermarkets in Mannheim-Vogelstang, Cologne-Gremberg and Gütersloh are now exemplary illustrations of an appealing shopping atmosphere. As part of the modernisation work, the stores received a facelift and were equipped with the latest technology. Among the steps being taken as part of this effort, the sales line is integrating concept modules into its stores. These are product groups that are showcased together in a uniform manner. The concept modules include an in-house bakery, which has now been implemented in all stores. The key elements of this concept are a contemporary display, friendlier colours, decorations for the service counter and assortment optimisation. In its in-house bakeries, Real offers more than 90 varieties of oven-fresh, high-quality baked goods. The hypermarket produces approximately 230 million loaves of bread and rolls each year, making it one of Germany's largest providers of freshly baked goods. Because Real's customers also place a high priority on the product groups of meat, fish, sausage and cheese, the sales line is expanding its expertise in these areas to gain an edge on major competitors.

Around-the-clock shopping

In September 2012, our sales line bundled all of its online activities under the standard Internet address www.real.de and updated its entire online design in the process. Visitors to the site now directly land in the sale section of the online shop and no longer on the website of the stationary hypermarkets. An additional benefit is that the same log-in information can be used for the various online services, including the portal for Real's "familymanager" customer loyalty programme. Customers will no longer have to log in for each service separately.

Another reason for bundling the websites was that the online shop has become an integral sales channel alongside the stationary business. Real offers, for example, more than 13,000 products from the areas of multimedia, sports & leisure time, home & garden, toys, the world of babies, health & fitness and foods & chemist items online. In 2012, employees processed about 345,000 orders – an increase of more than 20 percent compared to the previous year. The online shop creates an opportunity for the sales line to tap new customer groups and generate additional sales.

As part of its multichannel sales concept, Real operates 2 drive-in stores in Germany. Customers can order food and chemist items online at www.real-drive.de and then pick up the order 2 hours later at one of the 2 drive-in stations. The pick-up stations in Isernhagen-Altwarmbüchen near Hannover and in Cologne-Porz are conveniently located for drivers, providing fast shopping for customers.

Successful customer retention efforts

In summer 2012, Real conducted a 6-week marketing campaign in Germany called "Domino-Fieber" (Domino Fever): customers could collect 28 different domino tiles. During the campaign, the German hypermarkets gave away approximately 36 million dominoes. The stores also hosted swap events that attracted many customers. Real launched another 6-week marketing campaign in January 2013. The "Murmelix" (Marblelix) campaign built on the success of the sales line's 2011 "Murmel-Fieber" (Marble Fever) campaign.

During the financial year 2012, Real also launched 2 reward programmes to strengthen customers' bond with its hypermarkets. Real's customers received 1 loyalty point for every €5 spent at the store. Against a small additional payment, these points could be redeemed and exchanged for attractive rewards, including nearly 1.5 million jewellery items and 3 million knife sets.

Focus on German business

In November 2012, METRO GROUP and the French retailer Groupe Auchan signed an agreement to divest Real's business in Eastern Europe. Groupe Auchan will take over the operational activities and real estate assets of the sales line in Poland, Romania, Russia and Ukraine. The stores in Turkey are not part of the transaction. The purchase price amounted to about €1.1 billion. Real intends to focus more intensively on the successful further development of its domestic market. At the same time, we created new growth opportunities for the business in Eastern Europe. The divestment still requires approval by the relevant antitrust authorities and will likely be finalised in 2013.

Responsible business practices

In the financial year 2012, Real pressed ahead with its sustainability activities to protect the environment and conserve resources for future generations. As part of this work, the sales line expanded its assortment of local products in order to reduce transport routes and simultaneously guarantee freshness. The sausage selection of Real's professional butcher shop "The Master Butcher" is now comprised of about 70 percent of regional products. Real is also strengthening its social commitment in the nonfood area. In November 2012, for example, the sales line joined the international Cotton made in Africa initiative that works to improve the living conditions of African cotton growers and their families.

In dialogue with customers

Real places a high priority on conducting a candid and transparent dialogue with customers. From this direct contact, our sales line gains important insights it can draw on to improve day-to-day work and better meet customers' needs.

Real has set up customer advisory councils in more than half of its hypermarkets: each quarter, the stores invite 10 to 15 customers from various age segments to point out areas they think require further improvement. The recommendations are considered in the further development of the operating business. Real is the only retailer that has set up customer advisory councils at the market level nationwide.

In addition to direct contact, Real also uses social media to maintain its dialogue with customers: in December 2010, for example, Real created its own official page on the online platform Facebook. At the end of December 2012, the page had more than 300,000 fans, making it more popular than those of its competitors. In the financial year 2012, the sales line also set up a channel on the microblogging platform Twitter to inform customers about its products and services in short messages. The objective is to intensify the dialogue, answer questions and receive suggestions about Real's offer. In addition, Real uses social media to disseminate company news and advertise promotional campaigns and sweepstakes. In autumn 2012, for example, the sales line launched a Facebook campaign under the motto "Ganz Deutschland isst deine Pizza" (Germany eats your pizza) calling on customers to create their favourite pizza. More than 17,000 Facebook users submitted ideas. In January 2013, all Real stores across Germany added the winning pizza to their assortments.

Media-Saturn

In terms of sales and number of employees, Media-Saturn is METRO GROUP's second-largest sales line and No. 1 among consumer electronics stores in Europe. Media Markt, Saturn, online retailer Redcoon and the Russian online shop 003.ru, which joined the Media-Saturn group of companies in July 2012, do business autonomously in the marketplace and compete against one another. Europe's leading online platform for the distribution of digital media, 24-7 Entertainment, is part of the sales line as well. In addition, Media-Saturn holds a stake in xplace, a technology service provider with a leading position in the European market for interactive customer information. In October 2012, the sales line also purchased a stake in Flip4New, Germany's leading provider for the online purchase of used electronic products. The sales brands Media Markt and Saturn are characterised by attractive prices, a large selection of innovative products, a comprehensive assortment of top brands, the best service and creative, eye-catching advertising. A decentralised organisational structure, dedicated staff and entrepreneurial boldness are the heart of the company's philosophy. They underpin international growth. Media Markt and Saturn apply a multichannel marketing approach in which the stationary business is closely linked to online shops. Redcoon and 003.ru, on the other hand, are discount providers of electronic products that sell these exclusively online. With its interest in Flip4New, Media-Saturn once again expanded its area of business: customers now can exchange used electronics for shopping vouchers at saturn.de and at numerous Saturn stores.

A culture of competition

Media Markt, Saturn, Redcoon and 003.ru conduct their business independently of one another. The arrangement nurtures competition among the sales brands and boosts their performance. In addition, the individual Media Markt and Saturn consumer electronics stores are generally positioned as independent companies in which the local managing director holds a stake of up to 10 percent. This results in broad decision-making freedom and flexibility. For example, advertising campaigns, product selection and personnel planning are managed directly by the consumer electronics stores. Staff also have a high degree of independence in the operating business. This increases identification with the company, strengthens motivation and encourages – not least – customer orientation. After all, employees are in direct contact with customers and have a first-hand understanding of their needs and local business conditions. The organisational structure of Media Markt and Saturn ensures that employees can react flexibly to these.

Comprehensive selection and service

Media Markt and Saturn view themselves as trendsetters in their sector, a fact that is reflected in the product range, product displays and store design. The entire assortment in flagship stores – marquee stores in excellent locations – includes up to 100,000 items, particularly small and large electronic devices as well as entertainment electronics and media. The sales brands also offer such services as financing, warranty extension, repair and disposal of old devices and appliances. Under the umbrella of Power Service, Media Markt and Saturn provide a number of additional services, including delivery, setup, data recovery, the inspection of built-in units and satellite systems, and maintenance packages. The selling space in the consumer electronics stores ranges from 1,000 to 18,000 square metres.

Dual online strategy

Consumers are increasingly going online to learn about products and to obtain goods and services. The Media-Saturn group of companies has responded to this trend in its dual online strategy. While Media Markt and Saturn increasingly serve customers both at stationary stores and in online shops, Redcoon and 003.ru have exclusively positioned themselves as online retailers. The objective is to also lead the European market in online consumer electronics retailing.

A core element of this effort is multichannel marketing in which the consumer electronics stores are closely linked to an online shop. As of the end of 2012, for example, Media Markt and Saturn customers in 10 countries could obtain products by shopping either from home, on the go or in their local consumer electronics store. Products can be ordered online and, if available, picked up on the same day at the nearest store. If a customer needs additional assistance with the product purchased online, he or she can also get this at a selected Saturn store. In some cases, service packages can also be booked online. Media Markt and Saturn have specially optimised their online offer in Germany for smartphones so customers can shop while they are on the go. Saturn's mobile online shop received the Mobile Agency Award from the Internet company Google in August 2012. Multichannel marketing will continue to be systematically expanded in all countries where Media Markt and Saturn do business. As of the end of 2012, customers in Austria, Germany, Greece, Italy, the Netherlands, Poland, Sweden, Spain and Switzerland, among other countries, could shop online at Media Markt and Saturn. The objective is to introduce multichannel marketing in all other countries.

Furthermore, Media Markt and Saturn have been offering digital products – including music and film files, video games, computer programs and e-books – online for several years now. 24-7 Entertainment GmbH, a subsidiary of the Media-Saturn group of companies, launched JUKE in 2011. This online service provides customers with unlimited access to 20 million titles through a subscription system. Customers can order this service in the online shops of Media Markt and Saturn as "Media Markt musicflat powered by JUKE" or "Saturn musicflat powered by JUKE".

The second core element of the online strategy of Media-Saturn is pure online retailing. Redcoon is one of the largest discounters for television sets, digital cameras, notebooks, stereos, car stereos and household appliances in German-language online sites. The sales brand is represented in a total of 10 European countries. With Redcoon, Media-Saturn can target price-conscious consumers who shop online and do not expect additional services. In Russia, Media-Saturn does business in this segment by way of the company 003.ru, which joined the group of companies in July 2012.

Own-brand family completed

In 2010, Media Markt and Saturn began to offer own brands in Europe: "ok" for the budget price segment and "KOENIC" for high-quality small and large household appliances. Media-Saturn also introduced the "PEAQ" brand for consumer electronics as well as the "ISY" brand for accessories. As a result, the consumer electronics stores cover all price segments and an array of product categories. To assure the highest possible product quality, the sales line is working closely with well-known brand-name manufacturers. Products from the 4 own brands are available in most countries where Media Markt and Saturn operate stores. Both sales brands are also gradually including these products in the assortments of their respective national online shops.

Strong marketing campaigns

Media Markt and Saturn are known for their spectacular advertising campaigns and memorable slogans – in Germany and in other countries, too. Media Markt and Saturn advertisements are designed to inform, polarise and attract people. During the financial year 2012, the sales brands once again launched marketing campaigns that got people's attention. Both Media Markt and Saturn launched major advertising campaigns in Poland and Ukraine in the summer of 2012 that were related to the UEFA EURO 2012 football championship that was held in those countries. In Germany, Media Markt began positioning itself in the autumn of 2012 with the slogan "Verrückte da draußen: Willkommen beim Preis." (For the crazies out there: welcome to the price.). With this campaign, the sales brand is intentionally focusing on a younger target group that gains independence with the help of new technologies. For its part, Saturn further refined its brand message "Soo! muss Technik" (Technology: the way it has to be!). The campaign spotlights the sales brand's passion for and expertise in technology. As part of their multichannel marketing strategies, both Media Markt and Saturn have modified their marketing concepts and expanded their social media activities. At the end of 2012, Saturn Germany was one of the 20 most popular brands on Facebook. Media Markt is increasingly focusing on integrating all media. In the process, the sales brand will fill each individual channel with content depending on the needs. Saturn regularly publishes the gratis customer magazine "Turn On", which unites print and online media. In November 2012, Redcoon, too, launched an extensive campaign that comprised television advertisements for the very first time. The slogan: "So viel billig gab's noch nie." (There's never been so much so cheap.).

Dynamic expansion

In Europe, Media-Saturn has already turned its vision into reality: being No. 1 in consumer electronics retailing. As of the end of 2012, the sales line had 942 stores in 16 countries and operated an online sales channel in 2 additional countries. In 2012, Media-Saturn had 49 more consumer electronics stores than in the previous year. Media-Saturn will continue to expand and open additional stores in Germany and around the world during 2013. However, we have decided to discontinue our sales line in China and have formed the necessary financial provisions. This decision is based on the experiences and forecasts of the 2-year test phase that ended on 31 December 2012.

Galeria Kaufhof

Galeria Kaufhof is one of Europe's leading department store operators and is positioned as a modern retail brand with an unmistakable profile. Its stores are characterised by high-quality, international product ranges. They comprise both well-known brands and high-quality own brands. The department stores, which have between 7,000 and 35,000 square metres of selling space, are generally located in prime city centre locations. In Germany, Galeria Kaufhof operates 105 department stores under the names Galeria Kaufhof and Kaufhof as well as 17 stores specialising in sports gear and clothing under the names Sportarena and Wanderzeit. In Belgium, the sales line is known as Galeria Inno and operates 15 stores. The service company Dinea, which operates the restaurant section in more than 60 Galeria Kaufhof department stores in Germany, is also part of the Galeria Kaufhof sales line.

Real and virtual department stores

For more than 130 years, Galeria Kaufhof has stood for customer trust. Consumers want to experience trusted brands in all available sales channels and browse through the range of products offered – at home and on the go. For this reason, our sales line aims to become Europe's leading department store with a multichannel offering. To reach this goal, Galeria Kaufhof will continue to consistently apply its chosen approach: in 2011, the sales line completely overhauled its online shop www.galeria-kaufhof.de. During the financial year 2012, it continuously expanded its online offering, which now comprises more than 50,000 items. The online department store is open 24 hours a day, 7 days a week. It also serves as a virtual display window for Galeria Kaufhof. Customers have the opportunity to take advantage of the items and services in a stationary or virtual department store. They can, for instance, have their orders delivered directly to a store or return them there. Products not in stock at the department store can be ordered online from there and delivered to the customer. Thanks to the close linking of online sales and stationary retail, Galeria Kaufhof can offer consumers the best of both worlds: a broad selection, shopping independently of time and place, event-oriented product worlds and first-class service.

Customer segmentation key to successful store layout

As a company, Galeria Kaufhof works to meet consumer expectations. The objective is to increase added value for customers. To better satisfy their desires and needs, Galeria Kaufhof re-segmented its customer groups in 2012. This effort was based on an in-depth analysis of customers' shopping behaviour and individual life situations. The information for the customer segmentation was collected during telephone surveys and interviews. The analysis resulted in a new classification of customer segments for the women's fashion, men's fashion and world of babies departments as well as for the home textiles department. Galeria Kaufhof is currently carrying out specific projects to align processes in purchasing, sales and marketing to these new customer segments. The sales line intends to alter assortment design, improve its customer approach and overhaul advertising campaigns. It is also reorganising the internal structure of purchasing to improve expertise for so-called outfit styling, i.e. the art of putting together an outfit. This should help employees better tailor the assortments to the respective target groups. In addition, Galeria Kaufhof has bundled responsibility for textile own brands for women's and men's fashion within 1 purchasing department. The department's job is to improve the positioning of the sales line's own brands vis-à-vis producer brands and competitors' own brands.

Local positioning of stores intensified

In 2012, Galeria Kaufhof remodelled 18 stores – without interrupting business operations. The modernisation effort did not just give these department stores a facelift and create a new shopping atmosphere. Galeria Kaufhof also used the upgrade to tailor the assortments to customers' shopping behaviour as well as the market situation and competition in local areas. In this work, our sales line is systematically continuing the process of intensified local positioning of the stores that it initiated in 2010. Since then, Galeria Kaufhof has remodelled more than 70 of the 105 department stores in Germany to increase added value for customers and tap existing potential at each store. The 2010 decision to give up the departments for consumer electronics and media and to use the newly available space for other, higher-margin assortments was taken in this context. Galeria Kaufhof completed this process in 2012. Fashion, accessories, sporting goods and toys occupy the selling space of the former media departments.

By regularly conducting analyses, Galeria Kaufhof ensures that it can respond to changes in shopping behaviour, the local competitive environment or the local market situation at an early stage and initiate the necessary steps. In 2012, for example, the sales lines closed 4 department stores – as it announced it would do – in Gießen, Cologne-Kalk, Nuremberg-Aufseßplatz and Oberhausen-City. The reason for the closures was that these department stores offered no business or strategic potential to be operated profitably over the long run. Socially fair solutions were found for the affected employees. Many received new jobs at nearby department stores.

Emotionalisation of the brand

In 2012, our sales line teamed up with creative partner Wolfgang Joop, the internationally renowned fashion designer, to refine its marketing concept. The objective was to improve consumers' emotional connection with the Galeria Kaufhof brand. The campaign "Herbst Trends 2012" (Autumn Trends 2012) placed the partnership on a new level. Wolfgang Joop provided trend advice for the women's and men's fashion assortments, and Galeria Kaufhof applied his recommendations to the entire textile assortment. Another highlight was the creation of "Wofi-Bär" (Wofi Bear). The limited-edition teddy bear made by the German toymaker Steiff is a homage to the respected company's classic toy. In addition, Wolfgang Joop designed a jewellery line for the "GALERIA Design" own brand. The angel and angel wing designs were popular ideas for Christmas gifts.

Bringing responsibility to life

In 2012, Galeria Kaufhof received the Inclusion Award of the German business organisation Unternehmensforum, a cross-sector association of companies that works to actively include people with physical and cognitive impairments in the workforce. To honour efforts in this area, Unternehmensforum presented the Inclusion Award for the first time during the financial year. The jury's reasoning for granting Galeria Kaufhof the award was that the sales line practised inclusion in daily business and devised innovative solutions to successfully integrate people with disabilities into the so-called first labour market. Galeria Kaufhof's approach to inclusion is applied with the customer in mind. The sales line designs its department stores to be as barrier-free as possible to facilitate access for many people. Around three-quarters of all outlets offer a special shopping assistance service for blind and visually impaired persons: specially trained employees accompany and support these customers free of charge while they shop at Galeria Kaufhof. In addition, more than 70 department stores in Germany bear the quality seal "Generationenfreundliches Einkaufen" (Shopping for all generations) awarded by the German Retail Federation (HDE). It is presented to retailers who make shopping for persons of all age groups as comfortable and barrier-free as possible. Criteria include easily accessible entrances, wide main corridors, easily legible signs and displays and seating areas in the selling space.

Real Estate

METRO PROPERTIES is the real estate company of METRO GROUP. It owns 620 retail properties. Its primary job is to increase the value of the Group's real estate assets over the long term through active, strategic portfolio management. The company acts as a service provider for our sales lines that assists with the search for suitable business locations as well as the development, construction and management of retail properties. Other services include energy management as well as facility management for retail, administrative and warehouse locations. METRO GROUP reports real estate as an independent segment in order to better underscore its value contribution.

Efficient location and investment decisions

All real estate management activities were bundled in METRO PROPERTIES in 2011. As part of this change, related activities that were the responsibility of METRO Cash & Carry were transferred to METRO PROPERTIES. This allowed us to expand the service range for all sales lines. In the financial year 2012, METRO PROPERTIES optimised numerous processes in the areas of expansion, investment planning and coordination. The objective was to expedite the decision-taking process for new investments and locations and more efficiently implement these decisions. In one reflection of this, the company more intensely reviews the value appreciation potential of the available locations for international expansion in order to better allocate the funds earmarked for investment. In addition, METRO PROPERTIES refined Company-specific standards for the development of new stores and initiated steps to bolster international construction management. It also introduced facility management solutions for the continuously growing portfolio of Company-owned property and rental property in order to reduce costs while maintaining high service quality. One example of this is the expansion of the rapid maintenance force in Poland and Russia that can quickly fix building and equipment defects across all sales lines.

Value-oriented portfolio strategy

The experts at METRO PROPERTIES regularly evaluate and analyse international and national markets, competition and real estate trends as a basis for strategic real estate management. Its employees work out targets for our portfolio as well as for the individual locations and properties in order to achieve systematic and long-term gains in revenue and value. METRO PROPERTIES does this by optimally leveraging investment cycles. The company aims to sell properties at the height of their value appreciation. Profitable acquisitions are made in those markets where real estate prices show long-term growth potential. In December 2012, METRO GROUP sold a stake of 69.26 percent in its fully owned subsidiary OPCI FRENCH WHOLESALE PROPERTIES – FWP to a group of investors. The Company generated €120 million from this sale.

Experts for planning, project development and construction

METRO PROPERTIES supports our sales lines in planning and constructing state-of-the-art shopping centres – from property analysis and the preparation of development concepts to site construction. Additional services include reconstructions, modernisations and expansions. A team of project developers, architects and engineers works closely with the sales lines of METRO GROUP as well as with external customers.

Energy efficiency as a job of the future

For METRO GROUP, the energy-related optimisation of its locations is a long-range, strategic undertaking. By applying this approach, the Group can respond to continuously rising energy prices as well as reduce climate-relevant emissions related to business activities. METRO PROPERTIES develops concepts that enable METRO GROUP to lower its energy consumption and carbon dioxide emissions – such as using alternative energies and renewable electricity production. The METRO GROUP Energy Management System, which centrally and uniformly records energy consumption, has been providing a basis for this concept for several years. 95 percent of the system's expansion was completed during the reporting year. As a result of this analysis, METRO GROUP is able to plan the necessary refurbishment activities and trendsetting technical system concepts and, thus, can take an extensive number of energy-saving steps. In 2012, we invested approximately €10 million more in energy conservation projects alone at METRO Cash & Carry. The focal areas of these projects were energy-intensive refrigeration, air conditioning, heating and humidification with an average amortisation time of 4 years. To reduce our carbon footprint, we pressed ahead with the use of natural cooling agents in the Company's own refrigeration units in 5 countries during the financial year.

Joint venture for centre management

MEC METRO-ECE Centermanagement GmbH & Co. KG, a joint venture between METRO PROPERTIES and Hamburg-based property developer ECE, further strengthened the position of centre management in the German market and opened new growth opportunities for it in 2012. In the financial year 2012, 2 additional management contracts with an international investor were signed. In addition, the rental income from the managed retail parks recorded substantial improvement in some cases.