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METRO GROUP 2013

Service

Service

From: Projektkoordinatorin „Kooperation Wolfgang Joop“ <Giordana.Weis@kaufhof.de>
To: Category_Managerin Damenkonfektion <Uta.Gaepel@kaufhof.de>
Subject: Traditional outfit “Alpine Couture”
Sent: 16 September 2013, 9.47 a.m. (CET + 1)

Dear Ms Gäpel,

Please find attached Wolfgang Joop’s sketches for the traditional outfit “Alpine Couture”. We think they are great! Our team – our female members above all – particularly fancies the hat ☺

This year, Mr Joop and our creative team once again worked together to design a very special outfit for the Oktoberfest season. We really like the modern interpretation: the “Alpine Couture” designs are an elegant and appealing alternative to the traditional dirndl we produced last year.

I’m looking forward to hearing your feedback!

Best wishes,

Giordana Weis

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GLOSSARY

A

Anti-fraud measures
Prevention and identification of as well as response to fraudulent in-house activities.

Aquaculture Stewardship Council (ASC)
The ASC is an international, non-profit organisation that promotes responsible aquaculture around the world. In these efforts, it cooperates with aquaculture and processing operations, retail and food companies, and scientists. The ASC label recognises products that come from sustainable aquaculture operations. The ASC was founded in 2010 by the World Wide Fund For Nature (WWF) and the Dutch Sustainable Trade Initiative (IDH).

Asset management
Acquisition, development, management and sale of real estate assets. At METRO GROUP, this is the responsibility of METRO PROPERTIES.

Audit
A procedure that assesses an organisation's processes and structures according to previously formulated standards and guidelines. Audits shed light on the effectiveness of process optimisation measures. If an audit is conducted by an external auditor, the certification issued after the review can be used as evidence of adherence to standards.

B

Business Social Compliance Initiative (BSCI)
Founded in 2003, this alliance of European retailers works to ensure that production in all supplier countries complies with minimum social standards. The initiative aligns its standards with the UN's Universal Declaration of Human Rights and the conventions of the International Labour Organization (ILO). METRO GROUP is a founding member of the BSCI.

C

Carbon Disclosure Project (CDP)
The unaffiliated organisation was founded in London in 2000 by companies. It aims to disclose companies' CO_2 emissions as well as their climate and reduction risks, thereby contributing to transparency in corporate financial reporting on climate-relevant data. Each year, the CDP conducts standardised company surveys on a volunteer basis.

Commission business
A retail business that an entrepreneur operates under his or her own name but on another's behalf. In an "official" commission business, the manufacturer supplies the retailer with products and the respective selling rights to them without receiving any compensation. The agreed-upon price will be paid to the manufacturer only if the products are sold to customers. This means the manufacturer assumes all risk.

Commissioning
Packing of a defined number of goods and preparation for delivery.

C

Committee of Sponsoring Organizations of the Treadway Commission (COSO)
US-based private-sector organisation that developed and published a standard for internal controls in 1992 that is recognised by the U.S. Securities and Exchange Commission. In 2004, this standard was updated and the COSO ERM (Enterprise Risk Management – Integrated Framework), also known as COSO II, was published.

Compliance
All measures specifying a company's and its employees' behaviour in accordance with legislation, established social guidelines and values.

Consumer electronics store
Large retail store specialised in consumer electronics, household goods, new media, telecommunications, computer and photo assortments. Media Markt and Saturn are the consumer electronics stores of METRO GROUP.

Core real estate asset
High-quality rented real estate property in an attractive location.

Corporate Sector Supervision and Transparency Act (KonTraG)
The Corporate Sector Supervision and Transparency Act entered into force in May 1998. Its aim is to create organisational structures in companies that allow for sufficient controls and transparency. At the same time, it intends to create the necessary conditions for ensuring that developments which might pose a threat to the company's continued existence are made identifiable at an early stage. The Management Board is required by KonTraG to implement adequate risk management and an internal audit function that is appropriate for the company's size and organisational structure.

D

Department store
Large retail store that is generally located in the city centre and offers all types of goods, including textiles, household goods and food. Galeria Kaufhof is METRO GROUP's department store operator.

Discounter
A retail format characterised by a limited product assortment and an aggressive low-price policy.

Distance retail
The purchase and sale of merchandise over a certain distance. Customers do not view the merchandise in person, but order products from a catalogue, in an online shop, by telephone or on the basis of a sample.

Diversity management
Key element of human resources policy that leverages the diversity of the workforce with respect to gender, age, ethnic origin, faith, sexual identity or disabilities for a company's business success.

Due diligence
Detailed investigation of a company conducted by a potential buyer. A due diligence audit reviews a company's economic, tax and financial situation, in particular. Its purpose is to ensure that the requirements associated with the offer to buy the company are met. In addition, it aims to identify all relevant risks.

E

EBIT (Earnings Before Interest and Taxes)
Serves as the basis for international comparisons of companies.

EBITaC (Earnings Before Interest and Taxes after Cost of Capital)
This metric shows whether a company successfully deploys its business assets and generates economic value added exceeding its cost of capital.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)
This metric serves as the basis for comparisons between companies using different accounting standards.

E

EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent)
EBITDAR represents EBITDA before rental expenses less rental income.

EBT (Earnings Before Taxes)
This metric serves as the basis for comparisons between companies even when different tax systems apply.

E-commerce
Short for electronic commerce, which is the electronic marketing and retail of merchandise and services online.

F

Facility management
Management and operation of buildings and plants as well as building services with the aim of reducing costs, ensuring the technical functionality and maintaining the long-term value of a building.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Flagship store
Flagship stores are prestigious locations that convey a retailer's brand image in a particularly strong manner. They distinguish themselves from a company's other stores through their size, location, layout and workforce. Flagship stores also provide a venue for testing new technologies and concepts.

Franchising
Also known as licensing or franchising system. A contractually regulated organisational form: the franchisor grants an independent franchisee the right to offer certain products or services bearing the name or the trademark of the franchisor.

G

German Accounting Law Modernisation Act (BilMoG)
The German Accounting Law Modernisation Act was approved in May 2009. Its implementation spurred the most comprehensive accounting-law reform since 1985. The act aims to bring German accounting law closer to standard international methods for invoicing and at the same time ensure greater transparency and lower costs at companies.

Global Food Safety Initiative (GFSI)
METRO GROUP teamed up with other retail companies to found the initiative in 2000. It is the world's largest organisation for the improvement of food safety. The initiative promotes the establishment of international audits that reduce food-related risks and evaluate food suppliers within that context.

GLOBALGAP
A private sector organisation that certifies agricultural and aquacultural products. The standard for "good agricultural practice" (GAP) resulted from an initiative of European trade and retail companies.

Governance
Principles governing the management and supervision of the different players that influence a company's direction.

H

HACCP (Hazard Analysis and Critical Control Points)
A consumer protection system for checking food safety. It provides a way for companies to monitor critical points and hazards in their production processes. All companies in Germany that manufacture food products are required to use HACCP. Within the European Union, it is illegal to import and trade products that do not meet the requirements of the HACCP system.

Hypermarket
Large retail store with different articles offered mainly in a self-service arrangement. Aside from food products, the assortment also includes consumer durables and non-durables. Real is the hypermarket operator within METRO GROUP.

I

IASB (International Accounting Standards Board)
An independent international body that developed the International Financial Reporting Standards (IFRS) and continues to revise them.

IFRIC (International Financial Reporting Interpretations Committee)
This group is part of the International Accounting Standards Committee Foundation (IASCF) and resolves controversial accounting issues.

IFRS (International Financial Reporting Standards)
International rules governing the accounting policies, in contrast to the financial statements according to the German Commercial Code, the focus of IFRS is on investor-oriented information.

ISAE 3402 (International Standard on Assurance Engagements)
International auditing standard applying to audit reports from service companies that reduces the amount of effort needed to conduct the audit and assists the customers' audit department.

L

Like-for-like growth
Sales growth adjusted for selling space reflects sales growth on a comparable area or with respect to a comparable group of locations in local currency. It includes only the sales volumes of locations that were neither newly opened during the reporting year or the preceding year nor closed during the reporting year, and whose area did not change substantially as a result of restructuring work.

M

Marine Stewardship Council (MSC)
The MSC was founded in 1997 by the World Wide Fund For Nature (WWF) and the consumer goods company Unilever. The non-profit, independent organisation promotes sustainable fishing around the world and awards its environmental seal to fisheries with sustainable fishing practices. These are determined on the basis of special certification programmes.

Mark-to-market evaluation
Calculation of the fair value of financial instruments based on market prices at a particular point in time.

METRO GROUP Future Store Initiative
A group of companies from the retail and trade, consumer goods, information technology and services sectors as well as from research and academia. The partners jointly promote the modernisation process in the trade and retail industry.

Mobile commerce
A specific type of e-commerce. In this case, the electronic marketing and retail of merchandise and services are conducted on a mobile device, such as a smartphone.

Multichannel marketing
Retail strategy to reach customers via several parallel, interlinked marketing approaches, for example via outlets and online shops.

N

Net earnings
Net profit of a company. The Annual General Meeting decides on the appropriation of net earnings.

No-line commerce
Term for the development step in multichannel marketing at which all sales channels – online and offline – have been connected and integrated to the maximum degree.

Non-food items
A term that describes essential household items in retail assortments.

O

Own brands
Also known as private labels. Branded articles that have been created and trademarked by a retail and wholesale company and that offer attractive value for money.

P

Performance share
Performance-based investment. A performance share entitles its owner to a cash payment matching the share price.

Previous year
Time period of twelve months, which is generally used as a reference point for statements in the annual report.

Previous year's period
The data from the short financial year refer to a comparison to the corresponding time period of the previous year. During a short financial year from 1 January 2013 to 30 September 2013, this would be the nine-month period from January to September 2012.

Q

QR code
A two-dimensional square code consisting of black and white pixels that contains data. QR codes can be read by smartphones, tablet PCs or laptops outfitted with a camera and the appropriate software. When read by these devices, the codes direct users to supplementary information. The abbreviation QR stands for "quick response".

R

Radio Frequency Identification (RFID)
Technology for contactless data transmission and automatic identification of goods movements.

RoCE (Return on Capital Employed)
This metric indicates whether a company makes profitable use of its available capital, less liquid funds and short-term debt capital.

Roundtable on Sustainable Palm Oil (RSPO)
The Switzerland-based RSPO was founded in 2004 by an initiative from the Word Wide Fund For Nature (WWF). It counts among its members non-governmental organisations as well as companies and institutions from the palm oil value added chain, including plantation owners, retailers and industrial palm oil buyers as well as investors and bankers. The partners aim to promote the production and use of sustainable palm oil.

S

Sales brand
A company with a consistent and independent market presence. Within a single sales line, it is possible to position two sales brands with identical merchandising concepts. This is the case with Media Markt and Saturn.

Sales line
Subsidiary of a retail and wholesale group that operates outlets or stores under a certain sales concept.

Share unit
Unit for performance shares.

Short financial year
A company's financial year that comprises fewer than twelve months, due to, for instance, a change in the closing date for the annual financial statements.

Social compliance
The adherence to laws, guidelines, standards, codes and/or social conventions by which an organisation ensures socially responsible operations within its value added and supply chains. The aim is to protect the safety, health and basic rights of employees in one's own company as well as among its suppliers.

Supply chain
Various processes that contribute to a company's value creation. At METRO GROUP, this includes logistics, marketing and sales, among other things.

T

Trading-up strategy
Quality improvement of a retail group's offering, for example through larger product assortments, a higher level of quality, more comprehensive services and a more sophisticated store design.

W

Weighted Average Cost of Capital (WACC)
This metric describes the average weighted cost that a company must pay for capital. It is composed of average debt capital costs and average equity capital costs. The WACC facilitates the measurement of a company's value.

Wholesale
A trade format where merchandise is sold to commercial resellers, processors or commercial users. METRO Cash & Carry is the wholesale division of METRO GROUP.

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MULTI-YEAR OVERVIEW[1]

		31/12/2007	31/12/2008[2]	31/12/2009[3]	31/12/2010	31/12/2011	31/12/2012	30/9/2012[4]	30/9/2013
Key financial figures									
Sales (net)	€ million	64,210	67,955	65,529	67,258	65,926[5]	66,739	47,380	**46,321**
EBITDA	€ million	3,343	3,540[6]	3,319[6, 7]	3,726[6]	3,651[6]	3,296[6, 8]	1,669[6, 8]	**1,603[6]**
EBIT	€ million	2,078	2,222[6]	2,024[6]	2,415[6]	2,372[6]	1,979[6, 8]	706[6, 8]	**728[6]**
EBIT margin	%	3.2	3.3[6]	3.1[6]	3.6[6]	3.6[6]	3.0[6]	1.5[6]	**1.6[6]**
Earnings before taxes	€ million	1,561	1,648[6]	1,393[6]	1,834[6]	1,732[6]	1,436[6, 8]	289[6, 8]	**282[6]**
Profit or loss for the period[9]	€ million	1,051	722[6]	824[6]	1,139[6]	979[6]	730[6, 8]	165[6, 8]	**16[6]**
thereof from continuing operations	€ million	1,065	1,151[6]	824[6]	1,139[6]	979[6]	730[6, 8]	165[6, 8]	**16[6]**
thereof profit or loss for the period attributable to shareholders of METRO AG[9]	€ million	825	401	383	850	631	17	−19	**−71**
Investments	€ million	2,154	2,423	1,517	1,683	2,095	1,437	954	**691**
Total assets[9]	€ million	33,862	33,516	33,282	35,067	33,987	34,802[8]	31,608[8]	**28,811**
Equity	€ million	6,498	6,061	5,992	6,460	6,437	5,666[8]	5,649[8]	**5,206**
Equity ratio	%	19.2	18.1	18.0	18.4	18.9	16.3[8]	17.9[8]	**18.1**
Return on equity after taxes	%	16.2	11.9[6]	13.8[6]	17.6[6]	15.2[6]	12.9[6, 8]	2.9[6, 8]	**0.3[6]**
Earnings per share (basic = diluted)[9, 10]	€	2.52	1.23	1.17	2.60	1.93	0.05[8]	−0.06[8]	**−0.22**
thereof from continuing operations	€	2.58	2.54	1.17	2.60	1.93	0.05[8]	−0.06[8]	**−0.22**
thereof from discontinued operations	€	−0.06	−1.31	0.00	0.00	0.00	0.00	0.00	**0.00**
Distribution									
Dividend per ordinary share	€	1.18	1.18	1.18	1.35	1.35	1.00	-	**0,00[11]**
Dividend per preference share	€	1.298	1.298	1.298	1.485	1.485	1.06	-	**0,00[11]**
Operating data									
Employees (annual average by headcount)		275,520	290,940	286,329	283,280	280,856	278,811	277,418	**269,493**
Locations		2,097	2,111[12]	2,127	2,131	2,187[13]	2,243	2,187	**2,221**
Selling space (1,000 m²)		11,779	12,302[12]	12,629	12,771	12,954	13,003	12,784	**12,773**

[1] Only continuing operations (discontinued operations in 2007 and 2008: Extra and Adler, in 2009: Adler)
[2] Adjustment due to first-time adoption of new and revised IFRSs in the financial year 2009
[3] Adjustment due to revised disclosure in the financial year 2010
[4] Unaudited
[5] Adjustment due to revised disclosure in the financial year 2012
[6] Before special items; special items for 2012 and 2013 are displayed on pages 106 and 107
[7] Adjustment due to netting of recognition and reversal of impairment loss in EBITDA totalling €9 million (Real), €6 million (Real Estate) and €−6 million (Consolidation) in the financial year 2010
[8] Adjustment of previous year (see chapter "Notes to the group accounting principles and methods")
[9] Including discontinued operations
[10] After non-controlling interests
[11] Subject to the resolution of the Annual General Meeting
[12] The 84 Dinea locations were reclassified from the "others" segment to segment "Galeria Kaufhof". They are no longer classified as independent locations in the segment "Galeria Kaufhof", but assigned to the respective Galeria Kaufhof location. As a result, the locations and their selling space are no longer disclosed separately.
[13] Including first-time inclusion of METRO Cash & Carry satellite stores opened in 2009/2010 (total of 14)

INFORMATION

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This annual report is printed on FSC®-certified paper. By purchasing FSC® products we foster responsible forest management, which is controlled according to the strict social, ecological and economic criteria of the Forest Stewardship Council. We only use fully recycled paper bearing the EU eco-label in this publication. In addition, this annual report carries the Saphira Eco label of Heidelberger Druckmaschinen AG. This means that the material used in the production of this publication, such as inks, lacquers, chemicals and printing plates, fulfils the requirements of the most important international environmental certificates. For additional information, see www.heidelberg.com.

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Global Compact
Since 2011, METRO GROUP has subscribed to the principles of the UN Global Compact, a United Nations-led global initiative that aims to encourage businesses to adopt universal social and environmental principles. By subscribing to the UN Global Compact, we have committed ourselves to continuous improvements in the areas of human rights, labour norms, environmental protection and anti-corruption measures.

Disclaimer
This annual report contains forward-looking statements that are based on certain assumptions and expectations at the time of its publication. These statements are therefore subject to risks and uncertainties, which means that actual results may differ substantially from the future-oriented statements made here. Many of these risks and uncertainties are determined by factors that are beyond the control of METRO GROUP and cannot be gauged with any certainty at this point in time. This includes future market conditions and economic developments, the behaviour of other market participants, the achievement of expected synergy effects as well as legal and political decisions. METRO GROUP does not feel obliged to publish corrections of these forward-looking statements to reflect events or circumstances that have occurred after the publication date of this material.

The German version is legally binding.

METRO GROUP
MADE TO TRADE.

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