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METRO GROUP 2013

Strategy

Strategy

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Subject: Fit for customers – thank you!
Sent: 24 June 2013, 10.34 a.m. (CET + 1)

Dear Colleagues,

The overwhelmingly positive feedback we received from all participants shows one thing: the "Fit for customers" event featuring our new assortments was a complete success!

For the first time, more than 500 METRO Cash & Carry customer managers and C+C Schaper sales advisers from across Germany gathered in Düsseldorf to learn everything they could about our key target groups and our new products and test them over the course of four days. From raspberry tartlets and unusual pasta varieties to green tomatoes: the Mediterranean products provided by our METRO colleagues from France, Italy and Spain delighted the palates of all participants.

This successful outcome was the result of your hard work: you spent weeks collaborating with your colleagues from other departments and enthusiastically worked to make this event a success – a heartfelt thank you to all! It was an outstanding team effort that really paid off!

Now we must work to form long-term relationships with our customers and get them excited about our METRO Cash & Carry and C+C Schaper stores. We hope you generate top sales while performing this critical job and wish you much success!

Please find attached a photo as a souvenir of the event.

We're looking forward to enjoying many more events with you!

Best regards from Düsseldorf,

Frank & Frédéric

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Head of Customer Management
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METRO

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«We keep our word.»

An interview with: Olaf Koch, Chairman of the Management Board of METRO AG, on customer value, corporate culture – and the things he enjoys about work.

Mr Koch, when you look back on the past financial year, what do you consider to be the greatest strides the company has made and in which areas does METRO GROUP still have some work to do?
We still have some work to do in the very area where we have made our greatest strides: in our effort to create added value for customers. We have certainly made significant progress since last year – but we still have a long way to go before we reach our goal.

Is this progress already being reflected in the company's figures?
Yes. As the year progressed, we saw clear improvement in sales trends. Even though this trend varied by region, this is a very encouraging sign. For this reason, we are confident about the fourth quarter of 2013 – which will be the first quarter of our new financial year.

Did you experience any pleasant surprises?
I would not use the word "surprises". But we did see some very positive developments in our cash flow and our reduction of net debt. About €2 billion less in debt within a year – that is a strong signal to the capital markets and a demonstration of our strategy's soundness. And our message is being heard: investors and analysts are starting to change their minds about our company.

But the capital market still had the impression that METRO GROUP continued to be preoccupied with the process of cleaning up past problems. Is this an incorrect impression?
We have already taken care of the major structural changes as well as the most important portfolio changes and adjustments. We have also made significant progress in our efforts to increase cost efficiency. But we still intend to make further improvements in this area. Primarily because our achievements here will go a long way towards financing our investments in customer value.

Many people have got to know METRO GROUP as a rapidly expanding company. In recent years, though, you have eased off the company's internationalisation efforts …
… because our experience has taught us one lesson: sometimes, less is more. We grew too rapidly and sapped our performance strength in the process. By focusing on the three growth markets of China, Russia and Turkey, we have become markedly more attractive over the past 18 months. Focusing also meant that we had to drop several country units. Our aim today is to fully tap our growth potential in those countries where we are already doing business. We must first clearly expand our performance strength in these areas. Afterwards, we can say – in combination with a strengthened balance sheet – that the time has come to focus on a new country. Over the short term, however, this is not a priority.

The stock market likes your "less is more" approach. What do you think of the share's performance?
The share's performance clearly demonstrates that the market is growing less sceptical. In recent years, METRO GROUP has disappointed some market observers and investors, not least because of speculation about portfolio changes that never materialised. This has changed, and the market is increasingly taking notice of this shift: we keep our word. And we report about something only after we have done it – and not before-hand.

METRO GROUP is a multifaceted company with several different sales lines. Is there one strength or quality that they all share?
Strong roots and a successful history are two things that the sales lines have in common. Another is our exceptionally dedicated workforce. In future, we will be bound together more closely by our focus on our customers and our shared goal of creating added value for the customer – without compromise. By taking this approach, we will ensure that we consider our past success as an incentive to produce future success.

By focusing on customer value, you have initiated a change in your corporate culture. What do you consider to be the core element?
As a rule, you cannot change a corporate and management culture with newsletters, posters and stickers. Culture changes when behaviour changes sustainably. This starts with

the Management Board and with me as the Chairman. At the beginning of 2012, we agreed on a number of core values and made them the basis of our job performance reviews. We want to have a culture of constructive debate when we are searching for new solutions. This means one thing: when we are trying to reach a decision, we need to pay less heed to hierarchies and be more open to all arguments. After we have taken a decision, we intend to carry it out in a systematic and resolute manner.

How extensively is this model being practiced today?
We have successfully completed the initial phase and are now working to refine it. You can already see these changes taking shape in many parts of the company. This success is largely the result of the various employee and manager development programmes we have initiated. These programmes include our "Leadership for Growth" workshops that are promoting a new managerial culture. More than 26,000 employees have already attended these workshops – and the process is far from over.

Willingness to change is a critical factor in strategic terms as well. Where does METRO GROUP stand in terms of innovation and what are its goals in this regard?
I am really glad that Pieter Haas joined the Management Board at the beginning of April because he is devoting his energies to the issue of innovation. Pieter Haas used his first six months on the job to take a close look at the company and has already come up with some specific suggestions regarding organisation and implementation. During the new financial year, we plan to take decisions about the first projects. From then on, we will continuously accelerate the pace of the innovation process.

In 2013, you took over responsibility for METRO Cash & Carry. What have you done here?
Basically two things: I have systematically continued to expand the success we are seeing in many places here. And I have given the many good ideas at METRO Cash & Carry an opportunity to shine throughout the entire company. I believe that we can already set international standards in the cash & carry business in some countries. France, Russia, the Czech Republic and Bulgaria are a few examples. We have the strongest cash & carry business model in the world. However, we still have significant problems in other countries. One of my key jobs will be to work with my teams to raise the performance level in these regions.

Some things have recently changed at METRO Cash & Carry Germany as well. How confident are you about the future?
There is no doubt about the potential of METRO Cash & Carry in the German market. The area of professional customers will continue to expand in coming years. As a result, I have no doubts about our ability to regain our market share. But this will also mean one other thing: we will have to work on our assortment, sales and delivery. The latter is one area we intend to expand

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further. During the short financial year, METRO Cash & Carry took a huge step forward by introducing new assortments. For the financial year 2013/14, I am very confident that we will send out a clear signal in terms of sales and earnings.

In 2014, the sales line will celebrate its 50th anniversary. What sort of boost do you expect to get from this during the financial year?

I hope that we will view the anniversary both as an occasion for celebration and as an incentive to intensify our focus on our core target groups even further. An unbelievably large number of things have happened at METRO Cash & Carry in recent months. We now have an opportunity to talk about them and jointly celebrate the occasion with our customers. After all, many of the things we are doing today may not have been noticed by the marketplace. Our anniversary is the ideal occasion to intensify the level of our communications and thus expand the company's audience when it comes to rediscovering METRO Cash & Carry.

One of the most important business issues at Media-Saturn is online retailing. The sales line has also devised its own strategy for gaining market share. How much progress has Media-Saturn now made?

In online retailing, we are generating gains of more than 100 per cent at both core brands, Media Markt and Saturn – but I have to add that we started at a low level. Redcoon is growing at about 40 per cent. Generally speaking, the share of online sales in consumer electronics has slowed considerably during the past two years. But when you consider that the market – or the share of online transactions – is growing relatively slowly and that we are growing rapidly, then you can conversely say that we are regaining market share and taking giant steps in the process.

What share can the online business of Media-Saturn ultimately achieve?

We reached almost 6 per cent in the short financial year. For 2015, we have set a target of 10 per cent. I think that this is the minimum.

For the Real sales line, you have set a target of 2 per cent for rate of return. Which actions are playing the biggest role in achieving this goal?

One major step is the broad application of many successful concepts that we carried out only selectively in the past. Another one is the stronger regional and local focus of the hypermarkets. In addition, we have given more individual responsibility to store managers. Furthermore, we are increasingly directing customers' attention to our assortment strengths. As part of this effort, we are clearly highlighting areas where our formats are a cut above our competitors' formats because we can vary or combine products. This is what we are doing to move Real forward.

For years now, Galeria Kaufhof has been performing very well. Do you still stand by your statement that METRO GROUP is the wrong company to own Kaufhof?
As of right now: yes. And the reason is obvious: the return on capital employed is still much higher at METRO Cash & Carry and Media-Saturn – in spite of the setbacks individual stores have experienced. In the current situation, a time in which we intend to continue consolidating the investment budget and lowering the company's level of net debt, we will concentrate on the necessary modernisation investments at Galeria Kaufhof. Overall, Galeria Kaufhof has performed so well that we can say one thing today: we may not be the right owner, but we are certainly a happy one.

METRO GROUP has made the issue of sustainability a high priority. What progress have you made here?
Over the past year, we have systematically worked on core issues, including increased energy efficiency, reduced CO_2 emissions and programmes related to these efforts. We have also taken structural steps. With our sustainability organisation, particularly our Sustainability Board, we now have a stronger presence in our sales lines. I am pleased about one other action: we have now defined five core processes in all sales lines and can set specific sustainability goals for each of these processes. We will weigh these factors in our future decisions, including those involving store openings. As a result, sustainability at METRO GROUP will increasingly become a part of our daily business activities.

You became CEO of METRO GROUP two years ago at a fairly turbulent time. Do you think things have settled down?
At the very moment you say that "things have settled down", I think you are making your first mistake. In our globalised world, setbacks are waiting around every corner. For this reason – and here I am not just expressing my own views, but also those of the entire Management Board – we never expect to feel any sort of tailwind. Rather, we simply assume that business conditions will remain challenging. Today, we feel more comfortable in terms of management. We have tied up many of the loose ends we had in 2011. For this reason, we are certain that we have matters under control. And that is certainly a better feeling than the one we had two years ago.

What has pleased you the most in the last two years?
That's hard to say – there have been many pleasant moments. I am really pleased when our hard work in one area or on an issue pays off. I am also really excited when areas that have already been performing strongly continue to perform even better. And it is also fascinating to see how this success triggers even more energy.

Is there anything that causes you to lose sleep at night?
No, I do not have any sleepless nights. But I continue to be concerned about economic risks like the euro crisis. Close attention must still be paid to it.

Where will METRO GROUP be in five years?
Our company will have become much more attractive for our customers and it will have expanded its market position in its key markets. At the same time, our earnings strength will have not only stabilised, but also substantially improved. In five years, our formats will have won over our customers and the capital market to such a degree that the question will not be: why does METRO exist in the first place? Rather, it will be: why isn't there more of METRO?

STRATEGIC POSITIONING OF METRO GROUP

METRO GROUP

METRO GROUP, based in Düsseldorf, is a leading international retail and wholesale company. Worldwide, 269,493 employees passionately work to optimally fulfil the expectations of our customers. Our operating business focuses on self-service wholesale trade, consumer electronics stores, hypermarkets, department stores and online trade. In these areas our four independent sales lines are leaders:

— METRO Cash & Carry is a leading international player in self-service wholesale trade.
— Media-Saturn is number one among consumer electronics stores in Europe.
— Real is one of the leading hypermarket companies in Germany.
— Galeria Kaufhof is the market leader in the department store segment in Germany and Belgium.

With their products and services, our sales lines serve professional and private customers in 32 countries in Europe, Asia and Africa. To reach new target groups and establish long-term relationships with customers, the sales lines are tapping new sales channels and increasingly dovetailing their stationary business with online retailing. In addition, Media-Saturn's subsidiaries offer pure online shopping options.

So far, we have bundled our attractive retail real estate portfolio and relevant activities into METRO PROPERTIES. On 1 October 2013, its operational activities were integrated into the sales lines and will no longer be reported as a separate segment.

Focus on added customer value

The objective of METRO GROUP's strategy is generating long-range, sustainable growth. First and foremost, our aim is to improve like-for-like sales and earnings. We are also boosting our performance strength and appeal by improving our margins, and our cost position as well as by optimising our cash flow and reducing our net debt. The prerequisite for METRO GROUP's long-range, sustainable growth is our intense focus on creating added value for our customers. Five focal points guide us in this work. They provide the strategic framework for our business activities and lend a shared direction to our group across all sales lines and companies.

Transform

Our customers' needs and expectations form the starting point for all our strategic considerations. Which product ranges do they need in their local store? Can we offer new services to pique the interest of additional consumers or commercial customers in our business model? Which sales channels do we have to develop to meet our customers' increasing demands? Using these questions as our starting point, we have already made significant strides in the areas of multichannel marketing, delivery, franchising and own brands. In this and other areas, we are rigorously forging ahead with the strategic repositioning of our sales lines.

Grow

Our second focal point is growth in all business areas. We intend to achieve this first and foremost by improving sales per metre of selling space in existing stores. An absolute focus on the customer and engaging in responsible business practices in dealing with society and the environment are crucial to this effort. We also aim to significantly improve customer satisfaction. To raise our appeal to private and professional customers, we are making targeted investments in new services. In addition, we are selectively adjusting our sales lines' price levels to further bolster their competitive positions. Finally, we are re-aligning our incentive systems for employees to encourage additional productivity enhancements.

Improve

A company's competitiveness depends as much on its process performance as on an attractive product and service offering. Our objective is to create streamlined, effective organisational structures. For this reason, we have to continually examine our processes, systematically review our country portfolio and improve our cost structure. In this way, we can improve our cash flow and create headroom for additional investments.

Expand

Efficient processes, optimised cash flow and sales growth with stable or improved earnings represent the foundation for further expansion outside our home market of Germany. After all, our mission is to invest in healthy, competitive business systems. Many countries in which METRO GROUP is active offer excellent opportunities for enhancing our footprint. We are currently focusing on our expansion efforts and are exploiting opportunities: by opening new stores in countries such as China, Russia and Turkey – as well as by enhancing our offer in all other countries.

Innovate

Creating added value for customers means responding to changing requirements early on or even shaping this change – by recognising trends in technology and society, by identifying their potential relevance to our own business and by deriving specific solutions such as optimised processes or new sales concepts. This work begins by firmly anchoring business innovation within our company structure as well as defining innovation focal points that are relevant to our customers and hold growth potential. The key is cultivating a structured dialogue with internal and external experts. This approach forms the foundation of our innovation management.

Additional information on METRO GROUP's innovation management can be found on pages 130 to 132.

Framework for sustainable growth

Our business objectives are aligned with ecological and social requirements. For this reason, we have firmly anchored the principle of sustainability within our corporate strategy. Our sustainability vision serves as a group-wide foundation for the long-term transformation of METRO GROUP: "METRO GROUP. We offer quality of life. For our customers, for our employees, for all who work for us and for society."

Additional information on METRO GROUP's sustainability management can be found on pages 133 to 145.

METRO Cash & Carry

METRO Cash & Carry is a leading international player in self-service wholesale trade. METRO GROUP's largest sales line, which celebrates its 50th birthday in 2014, also lent the company its name: In 1964, founder Otto Beisheim, who passed away in February 2013, opened the first METRO Cash & Carry wholesale store in Mülheim an der Ruhr. 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. Over the decades, METRO Cash & Carry has continually expanded its business model, adding to its range of products new items and services geared to customer needs and local requirements. Today, our sales line has established itself among the top players in its international industry.

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, around 120,000 employees across the world work to make their customers successful. Hotel and restaurant owners, catering firms, independent retailers, service providers and public authorities particularly 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 specific solutions such 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. Our sales line views itself as an equal partner with its customers. As such, it is not just a vendor. Rather, it has deep understanding of the business and the specific challenges faced by professional customers and helps increase their competitiveness. In this way, the wholesaler METRO Cash & Carry ensures the long-term success of its customers. After all, this is the only way the company can produce sustainable growth in sales and earnings.

In the short financial year, METRO Cash & Carry continued to align its internal structures with its stronger focus on the customer. Since summer 2013, the country managing directors have had direct responsibility for the departments that play a key role in customer and supplier partnerships. These include marketing, customer management, target group management and pricing. All related processes will be placed under review so they can be systematically and measurably improved. In all METRO Cash & Carry countries, local specialists work with experts from company headquarters to tailor the range of products even more to customers' needs, improve the availability of goods, refine assortment design for individual customer groups, devise a more competitive price policy and develop services for a more comfortable shopping experience.

Tailored assortments and services

A broad product range, quality, freshness and tailored services are the compelling benefits METRO Cash & Carry offers commercial customers in 29 countries around the world. The sales line offers independent entrepreneurs a targeted range of food items, selected non-food products and tailored solutions. It markets brand products from renowned producers as well as own-brand products that couple high quality with attractive prices. The product assortment comprises about 50,000 items. METRO Cash & Carry emphasises local products: up to 90 per cent of its assortment is purchased from local producers and providers. In 2013, our sales line expanded its assortment of local products. Based on surveys of customers in Germany, METRO Cash & Carry identified around 300 new products and added these to the product mix of its wholesale stores in July 2013. By the end of September, this figure was already 550. The assortments and food products of other European countries served as a model for these additions. Products sourced directly from these countries, such as Italian antipasti, Spanish sausage and French tartlets, can be found alongside German products.

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 22,000 square metres. Most of the stores have a selling space of between 6,500 to 8,500 square metres.

In initially selected countries, METRO Cash & Carry has already begun to refine its business model: the new business model is geared more towards local customer needs and competitive environments. It draws on regional customer and employee surveys as well as on analyses of local markets. The unique feature of this work is that customers and employees are closely involved in the change process from the very beginning and remain involved in it by serving on joint customer and employee committees. In Spain and Italy, twelve wholesale stores have already been successfully restructured on the basis of this business model: in particular, changes impacted store layout, assortment design and product displays. In Germany, three stores were redesigned and reopened during the short financial year.

Focused on the customer: innovative sales formats

In addition, METRO Cash & Carry is increasingly adding new sales formats to account for different customer groups' expectations and needs. Our sales line has developed a special store format especially for city centre locations in France. These city centre stores have been successfully introduced in Italy as well. With a selling space of up to 3,000 square metres, these stores address the needs of the key target group of hotels, restaurants and catering firms, and primarily offer fresh foods. Thanks to city centre locations, METRO Cash & Carry can shorten trips made by suppliers and customers. This enables fast and comfortable shopping – and makes it easier for customers to quickly meet urgent needs in a cost-effective manner.

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. By expanding its business model, METRO Cash & Carry aims to attract new customers, with a particular focus on hotel and restaurant owners as well as catering firms. This option, which was introduced in 2009, 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. With its delivery service, the sales line generated sales of about €2.0 billion during the period under review – a 19.6 per cent increase over the comparable period in 2012.

The delivery service also aims to create added value for customers: the simple ordering process enables customers to save time shopping. Professional customers can order goods in the same high quality they have come to expect at a fair price. In some countries, our sales line also offers the option of ordering goods online. 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. Additional services such as individual order forms and pre-commissioning with in-store pick-up round off the sales line's service range. In addition, online shops complement stationary stores in countries such as China, Poland, the Netherlands, Romania and Hungary.

Close to the customer: sales force

Customer service is also provided by the sales line's sales force, which works with customers on site and serves as the first point of contact for customer requests. The aim is to optimise consulting and service options for customers, to better leverage the existing potential for expanding customer business through personal contact, and to generate greater sales. The specially trained sales force employees have a unique range of products they can actively offer to their customers. Furthermore, METRO Cash & Carry in Germany has defined new core assortments for selected customer groups, including restaurant owners, bakers and butchers.

Rigorous service focus

The support of independent traders – especially in emerging markets – is a key business area for METRO Cash & Carry. For this customer group, our sales line has developed specially tailored 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' businesses. Together with the customer, METRO Cash & Carry analyses and assesses, for example, specific store parameters and operations. Drawing 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 independent retailers.

Our sales line has developed a franchise concept for small independent traders and kiosks in countries such as 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 adhere to agreed standards: this ensures brand value. In Poland, about 2,000 small traders have signed up for the concept that operates under the name ODIDO – nearly 400 more than at the end of 2012. In Romania, approximately 600 METRO Cash & Carry customers operate under the name LaDoiPași. Our sales line also helps professional customers to launch 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 six core own brands 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 to 17.0 per cent during the reporting period. This amounts to sales of €3.8 billion.

In particular, the own brand Rioba, which features special product solutions for cafés and bars, represents a success story. The product range includes professional espresso machines and a complete tableware assortment as well as various coffee varieties and baked goods. There are now a number of Rioba cafés that have been founded as part of a partnership between METRO Cash & Carry and coffee shops. Launched as complete solutions, the coffee shops exclusively use and sell own-brand products.

International presence expanded

METRO Cash & Carry has the largest global footprint of all METRO GROUP sales lines. It operates in 29 countries on three 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 – this must be taken into account in the sales line's daily work.

METRO Cash & Carry continued its expansion effort in 2013. A total of ten wholesale stores were newly opened. The international share of sales rose from 84.5 per cent to 84.7 per cent. In line with our strategy, we first concentrated on improving like-for-like sales in existing markets and accelerating expansion in selected countries where we already do business. The focal areas of expansion are the growth regions of Eastern Europe and Asia, particularly China and Russia.

Media-Saturn

In terms of sales, Media-Saturn is METRO GROUP's second-largest sales line and number one among consumer electronics stores in Europe. Media Markt, Saturn, the online retailer Redcoon, in which Media-Saturn increased its stake to 100 per cent in June 2013, and the Russian online shop 003.ru belong to the group of companies. These sales brands carry out business autonomously in the marketplace. Europe's leading provider of technology for the distribution of digital content, 24–7 Entertainment, is also part of the sales line. 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, as well as in Flip4New, Germany's leading provider 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 and own brands, outstanding service and creative, eye-catching advertising. A decentralised organisational structure, dedicated staff and entrepreneurial boldness are the heart of the sales brands' philosophy. They underpin the international growth of Media-Markt and Saturn. The two sales brands apply a multichannel marketing approach in which the stationary business is closely linked to corresponding online shops. Redcoon and 003.ru, on the other hand, are positioned as discount providers of electronic products and sell these exclusively online. At Flip4New, customers can exchange used electronics for shopping vouchers at saturn.de and at all Saturn stores in Germany. In addition, both Media Markt and Saturn offer this service in the Netherlands and Austria, and Media Markt offers it in Sweden.

A culture of competition

The independence of Media Markt, Saturn and 003.ru from each other nurtures competition between the companies 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 per cent. This results in broad decision-making freedom and flexibility. For example, advertising campaigns, product selection and personnel planning are managed directly by the individual 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 local conditions.

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 services such 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, 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. Media Markt and Saturn customers can choose to purchase products online from home, with their smartphones while 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 Media Markt or Saturn store. In some cases, service packages can also be booked online. In selected countries, Media Markt and Saturn have improved their online offering for smartphones so customers can shop while they are on the go. Multichannel marketing efforts will also be systematically expanded. As of the end of the short financial year, customers in 13 countries were able to shop online at Media Markt and Saturn: in Austria, Belgium, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Russia, Sweden, Spain, Switzerland and Turkey.

The second core element of the online strategy of Media-Saturn is pure online retailing. The sales brand Redcoon, one of the largest German-language online discounters for television sets, household appliances, computers, notebooks, smart-phones, digital cameras and stereos, is represented in a total of ten European countries. With Redcoon, Media-Saturn can target price-conscious consumers who shop online. 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.

Furthermore, Media Markt and Saturn have been offering digital products – including music and film files, video games, computer programs and e-books – on the Internet for several years now. Through a subscription system, the online service JUKE operated by 24-7 Entertainment GmbH provides customers with unlimited access to more than 20 million music titles – via computers, smartphones and tablets as well as selected digital home entertainment systems.

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. There are currently nearly 450 own-brand items available for sale. 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 works closely with well-known brand-name manufacturers. Own-brand products are available in most countries where Media Markt and Saturn operate stores. Media Markt and Saturn 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, entertain, polarise and attract people. During the year under review, the sales brands once again launched marketing campaigns that caught people's attention. At the end of September, Media Markt announced a temporary closing of its German stores and launched a six-day clearance sale at all stores and online. The consumer electronics store used the 48 hour time frame on 2 and 3 October 2013 to fill its shelves with a new product assortment and to garner public attention for the attractive deals it offered during the subsequent reopening. 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. Media Markt and Saturn have aligned their marketing concepts with the multichannel marketing strategy and are expanding their social media activities. In addition, Saturn regularly publishes the free customer magazine "TURN ON", which unites print and online media. For its part, Media Markt is increasingly focusing on integrating all media. In the process, the sales brand will fill the various channels with content depending on the needs. Redcoon continued the campaign it launched in 2012 under the slogan "So viel billig gab's noch nie." (There's never been so much so cheap.) during the short financial year.

Dynamic expansion

In Europe, Media-Saturn is number one in consumer electronics retailing. As of the end of September 2013, the sales line had 948 stores in 15 countries and operated a pure online sales channel in two additional countries. In the short financial year, Media-Saturn had six more consumer electronics stores than on 31 December 2012. Media-Saturn will continue to expand and open additional stores in Germany and around the world during 2013/14. A particular focus will be placed on growth markets such as Russia and Turkey. The online offering will also be expanded. Media Market discontinued its business activities in China during the short financial year. This decision was based on the experiences and forecasts of the two-year test phase that ended in late 2012.

Real

A comprehensive range of food and non-food products, high-quality fresh items and attractive prices: all this makes Real one of the leading hypermarket companies in Germany. Its aim is to provide customers with the best shopping experience. Our sales line operates 310 stores across Germany and twelve in Turkey. In addition, it operates two drive-in grocery stores in Germany as well as an online shop. During the year under review, Real's business in Romania, Russia and Ukraine – with the exception of four stores in Romania and one store in Russia – was sold to the French retail company Auchan. The transfer of the Polish business is scheduled to be completed in the first half of the financial year 2013/14, following approval by anti-trust authorities.

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 fruits and vegetables, meat, sausage, fish and cheese. Real also offers a wide range of non-food items, including electronic devices, household products and textiles. Customers can find up to 80,000 different items in every Real hypermarket.

Realignment of core business

To improve profitability and increase added value for customers, our sales line has devised a strategy to which it realigned its operational business in 2013. The objective is to rigorously focus on customers and develop ideal solutions for their individual needs and requests. Among other steps taken, a decentralised organisational structure with a flatter hierarchy was set up to help achieve this goal. As part of this step, Real restructured its sales activities: in April 2013, the number of sales regions in Germany was to cut from seven to three. In the new structure with the regions North, South and East, the hypermarkets will assume more individual responsibility and have more discretion in designing assortments. This will allow store managers and their teams to use local products to more quickly and flexibly respond to the needs and shopping habits of their customers.

Close to the customer

A central element of the realignment is the territorial strategy. In essence, its objective is to better leverage existing customer potential in stores' catchment areas. To this end, the sales line analysed each hypermarket's catchment area using data provided by the Customer Information Management (CIM) and Controlling departments. Payback data about customer groups as well as information regarding competitive influences and purchasing power were also evaluated. This information shows the areas where each store has the greatest potential: in regaining lost customers or acquiring new ones through the use of focused advertising campaigns, in improving customer frequency or in increasing the average transaction value of customers who live a five-, ten- or 15-minute drive away from the store. Using these findings, stores can more precisely address the needs of customers, develop more specific measures and tailor their range of products. Continuous and exacting controlling of the data generated each day reveals whether decisions were effective or if the stores must take additional steps. During the short financial year 2013, 32 pilot stores in Germany began implementing the new territorial strategy. Starting in 2014, the strategy will take effect in all 310 hypermarkets in Germany.

Regionalisation is not only playing a role in Real's new customer approach and sales activities. It is also shaping assortment design. This allows the sales line to respond to its customers' increased demand for products from local producers. During the period under review, Real launched partnerships with a number of local suppliers. In mid-2013, a modified agreement that simplifies and accelerates the creation of such partnerships with smaller producers was prepared. New advertising materials and more than 120 in-house exhibitions in the hypermarkets gave customers the opportunity to experience "Gutes aus der Heimat" (Good things from home).

Own-brand share expanded again

With the three own brands "real,- QUALITY", "real,- BIO" and "real,- SELECTION", Real 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", the sales line also runs one of Germany's most well-known own brands in the budget price segment. In 2013, Real offered more than 5,000 own-brand products in its range of products – 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 more than 7,000 exclusive own-brand products that do not use Real in their names. These brands include:

— "TiP" food and non-food items in the budget price segment
— "Steinbach" – household goods
— "Mauro Ferrini" – textiles
— "My Little Bear" – baby textiles
— "Big & Chic" – clothing (for plus sizes)

In addition, Real introduced a new brand under the discount structure in 2013. Its product portfolio contains nearly 20 items that have been available in all hypermarkets since November 2013. Prominently placed in stores, the products are characterised by their uniform yellow packaging which bears no brand name. It simply carries the name of the product. The slogan "Ohne Schnickschnack. Ohne teuer." (No frills. No extra cost.) sums up the brand promise. With this promise, simple package design and competitive pricing, these discount products clearly stand out from the other own brands in food retailing. Real intends to gradually expand the portfolio, following customer response.

Upgrading of stores

To make its hypermarkets more attractive to customers, Real continued to systematically modernise its stores in 2013. Two stores were substantially remodelled: the hypermarkets in Dortmund-Oespel and Menden 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. The construction of the new hypermarket in Essen was completed in October and sets new standards. A new store in Magdeburg also opened in October 2013. The territorial strategy will be rigorously implemented at these stores. Their assortments will be specifically tailored to local customer structures. In addition, 65 hypermarkets are applying a new concept for fruits and vegetables. This concept aims to streamline departmental processes and give the stores more flexibility in terms of product presentation. This includes separate display blocks for organic, exotic and local products. Signs that look as though they were written with chalk evoke the feel of a weekly market and enhance the shopping experience for the customer.

Real also developed a new concept for the "Beauty & More" department, which provides for a more emotional shopping experience. Curved shelves, accent colours in light and dark shades and large mirrors create a friendly and inviting atmosphere. Real presents new items and trends at the department's entrance. This concept has already been introduced at several stores.

Round-the-clock shopping

Real is also taking new approaches to the operation of its online shop: in August 2013, the sales line assumed responsibility for logistics, which was previously supplied by a service provider. In addition, Real strengthened the link between its online shop and stationary stores: products are stored in four master stores in Bochum-Wattenscheid, Wildau, Göttingen and Böblingen-Hulb. These stores are responsible for packaging and sending orders. Customers can choose to have their purchases delivered to their home, to a Deutsche Post Packstation or to their local hypermarket free of charge. Working people in particular benefit from longer opening hours with the store-delivery option. This system creates new incentives for customers to visit a hypermarket.

As part of its multichannel sales concept, Real also operates two pick up stores in Germany. Customers can order food and chemist items online at www.real-drive.de and then pick up the order two hours later at one of the two pick up stores in Isernhagen-Altwarmbüchen near Hannover or in Cologne-Porz. The pick up concept is to be implemented at additional stores, particularly those in metropolitan areas. Real intends to make shopping faster and more comfortable for customers. For these reasons, new pick up stations should be built between customers' homes and workplaces when possible. Waiting times should also be shortened.

New accents in marketing

Real is also addressing the changing shopping behaviour of its customers with enhanced promotional services. As a founding member and long-time partner of the Payback loyalty programme, Real began offering eCoupons alongside traditional paper coupons in 2012. This provides customers with the option of selecting and activating eCoupons tailored specifically to their individual shopping needs via the Real app and at www.real.de. When paying for their purchases at the checkout, they simply show their Payback card to collect bonus points. Real uses eCouponing to reward existing customers for their loyalty and to attract new customer groups. In addition, our sales line uses this solution to develop individualised campaigns for various target groups and has been offering this option to its industry partners since 2013. The benefit: unlike print campaigns, digital coupons are associated with very little overhead and fees for redeemed coupons. The enhanced service is well received by customers. The download statistics for the Real app shot up following introduction. With 32,000 downloads, it was the front-runner in the lifestyle category of the Apple App Store in September. The fact that the digital strategy of our sales line is paying dividends is demonstrated by its good score in the first Digital Readiness Index for retail and wholesale companies in Germany. Real was ranked third among 25 major retail companies. The index, which is prepared by the consultancy Neuland, assesses the digital development of companies as a prerequisite for online sales. The study determined that the Real brand is present in digital channels and uses its knowledge of customers to create a major competitive edge. With the eCouponing approach, Real is one of the first companies in Germany to successfully link these two topics (presence and customer knowledge) to create promotional campaigns that speak to end consumers.

In 2013, our sales line set new accents with a marketing campaign geared towards strengthening regular customers' bond with the sales line and targeting additional customer groups. The campaign aimed to improve customer frequency, acquire new customers and raise the average transaction value per customer – the so-called ticket size.

Each weekend Real distributes 24 million fliers to German households. The fliers advertise products that meet consumers' daily needs – since May 2013, they have touted attractive promotional prices and more than 2,000 items with permanently lower prices.

As in 2012, the sales line again conducted Real Deal campaigns during the period under review and built on the previous year's successes with a total of 17 "deals of the day". As a result, our sales line sold 200 tonnes of bananas and 10,000 tablet PCs within just a few hours. This campaign is unparalleled in the German food retail business and has successfully made its mark. The culinary speciality weeks introduced with the slogan "Eat good food" during the reporting period are also popular. In these campaigns, a special selection of high-quality products, which are sometimes only available during this time period and related to a certain topic like "Asparagus Season", are offered at stores. In one reflection of this, Real heralded a "culinary spring" in May and added exclusive premium food and non-food items to its assortment. The second culinary speciality week was held in October with an Italian theme and offered a large selection of exclusive brands typical of the country.

With the launch of the six-week marketing campaign "Murmelix" (Marblelix) in January 2013, the sales line built on the success of the its 2011 "Murmel-Fieber" (Marble Fever) campaign. During the period under review, Real also launched two reward programmes in cooperation with the companies Braun and Fissler.

Customer satisfaction improved

The results of the customer barometer 2013 demonstrate that Real continued to improve in key aspects such as value for money, customer satisfaction with the service and technology centre as well as staff availability. Real also substantially improved in terms of special offers, customer satisfaction in the areas of non-food products 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 2013. 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.

In dialogue

In the period under review, Real professionalised its entire press and public relations work. As a result, the major changes taking place at Real were reported on more widely in many national dailies and trade journals. In line with the territorial strategy, the stores now receive more individual support in their public relations work.

To conduct candid and transparent dialogue with customers, Real has also set up customer advisory councils in more than half of its hypermarkets. Each quarter, the stores invite ten 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. Based on buyer structure, international customer advisory councils were also formed during the period under review.

Real also uses social media to maintain its dialogue with customers. The sales line's official Facebook page had more than 360,000 fans as of mid-2013, making it more popular than those of Real's competitors. In addition, the sales line also informs customers about its products, services, deals and sweepstakes on its own YouTube channel and the microblogging platform Twitter.

Responsible business practices

In the reporting year, Real forged ahead with its sustainability activities. In one reflection of this, more than 200 trainees and students informed customers about topics such as recycling, energy conservation projects and regionality as part of a Sustainability Day at 41 hypermarkets. Thanks to this event, the trainees and students were awarded second place in the ECO-CARE 2013 competition organised by the retail trade magazine Lebensmittel Praxis.

Real is also assuming responsibility in its assortment design: the sales line began offering products bearing the label "Für mehr Tierschutz" (For more animal protection) in January 2013. The seal of the German animal welfare association designates sausage and meat from animals raised in conditions better than those required by law. Furthermore, stores in northern Germany began testing products from the Tierwohl animal welfare campaign at the start of the reporting year. The concept involves the voluntary commitment of producers to raise animals under conditions better than those required by law in terms of stall space, water supply as well as duration of the suckling period and transport. The aim is to improve animal welfare.

During the reporting period, Real made targeted investments in energy-conserving technology for its stores, including energy-saving lighting concepts and new, particularly efficient refrigeration units. Thanks to these investments, our sales line has saved around 125,000 tonnes of CO_2 since 2006.

Social commitment is another central pillar of Real's sustainability activities. Examples of this work include its assistance in the wake of catastrophic flooding along the Danube and Elbe rivers. Real's hardship fund that was launched in 2012 was able to alleviate the impact on affected employees.

In addition, employees organised emergency aid during and after the flood. Employees who serve as volunteers in the volunteer brigade or the Technisches Hilfswerk relief agency were released from their duties on full pay to provide assistance. Real provided quick assistance to affected employees without any red tape in the form of financial support totalling €1,500 – one-third of this total comprised product coupons. Furthermore, Real granted customers in the areas impacted by the flooding along the Danube and Elbe rivers and their tributaries a one-time discount of 10 per cent off their purchases.

Galeria Kaufhof

For 134 years, the Galeria Kaufhof sales line has stood for customer trust. It is the market leader in the department store segment in Germany and Belgium. Galeria Kaufhof is positioned as a modern retail brand and as a competent multichannel retailer 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 5,000 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 sporting goods stores under the names Sportarena and Wanderzeit. In Belgium, the sales line operates 15 stores under the Galeria Inno name. The service company Dinea is also part of Galeria Kaufhof. It operates the restaurant section in around 60 department stores in Germany.

Integrated multichannel marketing strategy

Consumers want to experience the trusted brand Galeria Kaufhof in all available sales channels: shopping in stores at central locations, 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 is rigorously forging ahead with its effort to dovetail its sales channels. Linking online sales with stationary retail not only offers added value to customers. It also gives the sales line an edge over competitors. In contrast to pure online shops, large multichannel retailers can offer all-round service. This means one thing: 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. The broad range of options opens up myriad opportunities for communicating and interacting with customers.

Our sales line launched its mobile shop during the period under review. Customers can now conveniently shop at galeria.de on their smartphones. To announce the launch of the shop, Galeria Kaufhof published QR codes in fliers and hung them in display windows. The codes can be scanned by smartphones to access the corresponding offer in the mobile shop.

The aim of this multichannel marketing approach is to tap even more customer groups and give customers the option of making their purchases through the online shop as well as in department stores. During the reporting period, our sales line tapped additional sales potential by adding more well-known brands to its product range and expanding inventory by more than 25 per cent. Furthermore, many new online customers, who have previously only made their purchases in stationary stores, spend 25 per cent more when they shop online. Compared with the first nine months of 2012, online sales at Galeria Kaufhof more than doubled.

Modernisation process continued

To improve customers' shopping experiences in department stores and tap existing potential, Galeria Kaufhof continued its modernisation effort and remodelled 14 stores in 2013 – without interrupting business. Part of this work entailed giving these department stores a facelift. The sales line also used the upgrade to tailor assortments to local needs as well as the market situation and competition in local areas. After all, the relationship between customers, the local market and local competitors varies from store to store. Customer needs guide this work – for each assortment and tailored to local requirements.

The complete reconstruction of the Galeria Kaufhof department store in Münster was the largest modernisation project carried out during the reporting period. Based on the findings of analyses of this store's customer segment and competitive environment, renovation work primarily focused on improving the store's hardware department. The objective is to become the leading provider of beauty products, accessories, household goods and home textiles in Münster.

By regularly conducting analyses, Galeria Kaufhof ensures that it can quickly respond to changes in shopping behaviour, the local competitive environment or the local market situation at an early stage and initiate the necessary steps. Based on such analyses, our sales line decided in 2013 to close the department stores located in Düsseldorf Berliner Allee (late 2014), Augsburg (mid-2015) and Heilbronn Am Wollhaus (late 2015). These department stores offered no business or strategic potential to be operated profitably over the long run. Company management and employee representatives are developing socially fair solutions for the affected employees.

Galeria Inno expands

In Belgium, our sales line will open a new Galeria Inno department store in the fashion city of Hasselt in the Limburg province at the end of 2014. With this new department store, the number of Galeria Inno outlets the company operates in all major cities across Belgium will increase to 16. The store in Hasselt will feature selling space upwards of 8,000 square metres over four floors. It will employ nearly 100 people starting in 2015. Over the course of the next 18 months, the owner will convert the property to meet the needs of a modern department store located in a city centre.

Cutting-edge technology for convenient payments

To enable customers to pay for their purchases quickly and conveniently, our sales lines installed around 3,500 card payment terminals of the latest generation at its German stores in 2013. Contactless payment is now possible at these stores: using the Visa's payWave credit card, MasterCard's PayPass card and, in future, NFC-enabled mobile phones. The customer's signature or personal identification number (PIN) is only required for purchases over €25. This cuts the duration of the payment process to just a few seconds. NFC stands for near field communication . Using this technology, information can be securely sent to another device without the devices touching. It utilises NFC tags that are also integrated into credit cards and mobile phones.

Successful creative partnership

Galeria Kaufhof has successfully worked together with Wolfgang Joop, the internationally renowned fashion designer, since 2010. In collaboration with its creative partner, our sales line further refined its integrated concept entailing seasonal topics, inter-product group topics, events and product presentation in stores during the reporting period. The aim of this work is to improve consumers' emotional connection with the Galeria Kaufhof brand. One result of this collaboration was the limited-edition cocktail dress "Unforgettable", which customers could purchase exclusively in various Galeria Kaufhof department stores and online in spring 2013.

For Valentine's Day, Galeria Kaufhof's creative team and Wolfgang Joop designed a braided leather bracelet in various colours with heart-shaped charms. In summer 2013, Galeria Kaufhof and Wolfgang Joop unveiled the traditional outfit "Alpine Couture" to fashion journalists and bloggers at two press lunch events in Hamburg and Munich. The star designer created the outfit especially for the 2013 Oktoberfest season. Wolfgang Joop also provided trend advice and served as a creative adviser for the sales line's own-brand autumn/winter 2013/14 collection.

Real Estate

METRO PROPERTIES is the real estate company of METRO GROUP. At the end of September 2013, it owned 565 retail properties worldwide. Its primary job is to increase the value of the group's real estate assets over the long term through active, strategic portfolio and asset management – while reconciling the interests of tenants and owners. The company acts as a service provider for our sales lines that assists with the search for business locations as well as the development and management of wholesale and retail properties. Other services include energy management, facility management for retail, administrative and warehouse locations and the management of shopping centres. METRO GROUP reported real estate as an independent segment in the past. On 1 October 2013, the operating activities of the company were integrated into the sales lines and will no longer be reported separately.

METRO PROPERTIES offers all services related to the entire life cycle of properties. The company focuses on creating attractive locations for the sales lines and external tenants as well as raising their appeal to customers through development projects. In addition, METRO PROPERTIES supports the group's international expansion by making of selective divestments. In the process, the company ensures that the requirements of portfolio management are taken into account. As a result, the capital tied up in properties can be optimally put to use to support METRO GROUP's growth plans.

Value-oriented asset and portfolio strategy

The experts at METRO PROPERTIES continuously analyse the composition and performance of METRO GROUP's real estate portfolio. In addition, they conduct potential, market and competition analyses of national and international locations and real estate markets and derive specific action plans from this information. This forms the foundation for strategic real estate management. The company's employees define targets for portfolios as well as for 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. Profitable acquisitions are made in those markets where real estate prices show long-term growth potential. The company aims to sell properties at the height of their value appreciation.

One example of these strategic divestments is the placement of 43 French stores of the METRO Cash & Carry sales line on the market in the form of a closed-end real estate fund. Transactions such as this demonstrate solid investor demand in METRO GROUP's core markets. Against this backdrop, the planned expansion of the company's project development activities is of particular importance. The company has, for instance, identified various locations whose value could be improved through selective renovation work. In future, the focus of this work will shift more towards supporting the sales lines in all areas, from new openings, reconstructions and expansions to enhanced repositioning of the business model with a view to customer needs.

Experts for planning, project development and construction

METRO PROPERTIES offers the sales lines turnkey solutions for all retail property needs in the areas of new construction, reconstruction, modernisation and expansion. A team of project managers, architects, planners and engineers works closely with the sales lines of METRO GROUP as well as with external customers. The aim is to improve properties' attractiveness for the sales lines and external tenants as well as to generate capital appreciation of the objects through additional rentals.

Energy efficiency as a task for 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 reduce climate-relevant emissions related to business activities and respond to rising energy prices. In addition to higher grid utilisation fees, a number of levies for high-energy companies, particularly in Germany, have contributed to rising costs. These include the Renewable Energy Act levy and the offshore levy that was introduced in 2013. In Germany, though, total energy costs will remain stable for 2014 thanks to the company's forward-looking and centralised energy strategy.

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. In July 2013, the METRO Cash & Carry stores in Düsseldorf and Berlin-Marienfelde put their own combined heat and power units into operation. As a result, the two stores can produce electricity and heat from natural gas. Additional combined heat and power units are currently being planned.