METRO AG

ANNUAL REPORT 2000
CONSOLIDATED FINANCIAL STATEMENTS
OF METRO AG

At a glance

METRO AG Group in figures

	2000 [1] € mill.	1999 [1] € mill.	1998 [2] € mill.	1997 [2] € mill.	1996 [2] € mill.
Net sales	**46,930**	43,833	46,888	29,062	28,138
EBITDA	**2,183**	2,038	2,007	1,181	1,170
EBIT	**1,025**	1,000	794	486	547
EBT	**754**	681	579	476	543
Net income	**423**	305	376	319	367
Net income after minority interests	**359**	234	293	283	312
Capital expenditure [3]	**1,620**	1,446	1,362	967	838
Total assets	**22,333**	22,402	18,962	12,994	10,623
Equity	**4,146**	4,022	4,133	2,537	2,467
ROE after taxes	**10.2%**	7.6%	9.1%	12.6%	14.9%

Per share [4]	**€**	€	€	€	€
EBITDA	**6.68**	6.24	6.14	4.85	4.86
EpS	**1.10**	0.72	–	–	–
EpS acc. to DVFA/SG after full deferred taxes	**–**	–	0.78	1.26	1.56
Cash dividend [5]					
• common stock	**€1.020/DM 2.00**	€1.020/DM 2.00	€1.02/DM 2.00	DM 2.00	DM 1.67
• preferred stock [6]	**€1.122/DM 2.19**	€1.122/DM 2.19	€1.08/DM 2.11	DM 2.11	DM 1.77 [7]
Cash dividend incl. tax credit [5] [8] [9]					
• common stock	**€1.020/DM 2.00**	€1.020/DM 2.00	€1.02/DM 2.00	DM 2.03	DM 1.70
• preferred stock [6]	**€1.122/DM 2.19**	€1.122/DM 2.19	€1.08/DM 2.11	DM 2.14	DM 1.80 [7]

[1] Annual accounts according to IAS

[2] Annual accounts according to the German Commercial Code (HGB)

[3] Additions to tangible and intangible assets (excl. goodwill)

[4] 1996 figures adjusted for the capital increase through the 7-for-5 capitalization issue on July 23, 1997

[5] 1996 cash dividend incl. bonus equivalent to DM 0.83 per share of common/preferred stock

[6] As resolved by the July 9, 1997 stockholders' meeting, combined into one category of nonvoting preferred stock

[7] Identical for the previous preferred stock I and II

[8] For stockholders resident in Germany

[9] Solely tax-exempt portions of distributable equity were/will be used for the 1998/1999/2000 dividend.

METRO AG Group performance by division

	2000 € mill.	1999 € mill.	Changes € mill.	 %
Cash & Carry	**571.5**	513.4	58.1	11.3
Food Retail	**12.8**	16.7	–3.9	–23.4
Hypermarkets	**52.7**	42.1	10.6	25.2
Food Stores	**(39.9)**	(25.4)	–14.5	–57.1
Nonfood Specialty	**236.8**	248.5	–11.7	–4.7
Consumer Electronics Centers	**266.0**	223.7	42.3	18.9
Home Improvement Centers	**(29.2)**	24.8	–54.0	–217.7
Department Stores	**180.8**	163.8	17.0	10.4
E-Business	**(6.3)**	–	–6.3	–
EBIT METRO AG divisions	**995.6**	942.4	53.2	5.6
Others	**29.2**	57.3	–28.1	–49.0
Total EBIT METRO AG Group	**1,024.8**	999.7	25.1	2.5
Net financial result	**(270.7)**	(318.7)	48.0	15.1
EBT	**754.1**	681.0	73.1	10.7
Income taxes	**(331.6)**	(376.0)	44.4	11.8
Group net income	**422.5**	305.0	117.5	38.5

The annual report shows METRO AG Group employees who make their contributions to our customers in various countries, on stage or backstage.


METRO
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Letter to our stockholders

Dear Stockholders:

Your company, METRO AG, performed successfully in fiscal 2000, managing to boost sales and earnings quite substantially despite a difficult trading climate. The Group's earnings before taxes (EBT) rose by 10.7 percent to €754.1 million, its sales climbing 7.1 percent to €46.9 billion. Having commenced operations in Slovakia we are now represented internationally in twenty-two countries. METRO AG has thus secured a position for itself as one successful trading company.

For you, our stockholders, we have enhanced value, earnings per share advancing by €0.38 to €1.10, and Group EVA (Economic Value Added) improving by €106 million to – €333 million. This trend is upward although we do see substantial potential which we intend to exploit in order to arrive at a Group EVA breakeven in absolute terms.

The success of our efforts in 2000 is now increasingly mirrored in Metro's stock price. We are pleased that since the summer of last year METRO AG's performance has been reflected in that of its stock whose price has shown a steady development, also in comparison with the most important European competitors.

For us as management, the ongoing and long-term enhancement of METRO AG's shareholder value is the yardstick for assessing corporate success. Since Metro stock was first listed on July 25, 1996, shareholder value has risen by 161.3 percent from €6.2 billion to €16.2 billion.

The vast majority of our operations proved successful in 2000. Real, Extra and Praktiker pressed ahead with their repositioning drives, while Cash & Carry and Media-Saturn again pursued their international expansion dynamically but not without prudence. Kaufhof continued to perform favorably. At the same time, the Group expanded organically, hence not through M&As. Non-German sales in 2000 accounted for 42 (up from 39) percent of Group sales.

Strategy confirmed

In examining our medium- and long-term strategy we also faced during the past year the issues of METRO AG's future orientation and value enhancement potential while analyzing our strengths and weaknesses critically. The result is that METRO AG has above-average scope for growth, great internationalization potential, and the strength to succeed even in saturated markets. Management and employees see it as their duty to the stockholders to exploit these opportunities to the full.

Group management structure streamlined

In the five years since the merger we have developed from a highly diversified trading organization primarily engaging in the German home market into a focused, powerful and internationally oriented Group with a multicultural and decentralized management in which highly qualified people from now twenty-two countries work together. With the radical portfolio optimization we drastically reduced complexity. And as a logical step, METRO AG's management right up to the Executive Board was also given a leaner structure.

The METRO AG management model is founded on the decentralized nature of operational business, with synergies being achieved on the other hand through efficient pooling of the purchase of goods and services by the Group's service companies.

HR development expanded

Skilled and flexible employees who are prepared to do their bit to improve the operational business on a daily basis by exploiting Group synergies are by far the scarcest resource in a company which is growing rapidly internationally and thus constitute a strategic competitive factor. Only companies which succeed in attracting and keeping capable managerial and junior staff will be able to hold their own at the top.

METRO AG is meeting this challenge with an open corporate culture using innovative training, assessment and remuneration systems. With a stock option plan and an EVA-based bonus system we have created a modern form of remuneration for our managerial staff. During the period, the 360° feedback method was tested in appraisal work for the first time, with broadly based advancement schemes, especially for our junior management, rounding off the range of measures. Decentralized management structures make sure that motivated up-and-coming managers are assigned far-reaching leadership responsibilities at an early stage in their careers.

Prudent investment policy pays off in e-business

Within the METRO AG Group the Internet has two main functions: in the outlet chains the websites supplement brick-and-mortar business by strengthening customer loyalty whereas pure online portals present a range of products targeted at Internet shoppers. However, the use of Internet technologies for optimizing the value chain in purchasing is proving even more interesting. Through participation in the B2B platform GNX (GlobalNetXchange) we see ourselves as being at the forefront of the movement toward greater price transparency in the purchase of mass-produced articles through auction procedures and in shortening the time-to-market phase with order cycles through web-based ordering methods.

The Internet has changed our everyday lives lastingly. The extent to which this will affect the traditional buying behavior of our customers has yet to be seen. By comparison, the use of e-business technologies in the procurement chain is already making a measurable contribution to enhanced Group performance.

Braced for the capital market: IAS as primary accounting basis, simplified stock structure

The consolidated financial statements submitted in this annual report were for the first time prepared in accordance with the International Accounting Standards (IAS), thus improving comparability with international competitors. Worth special mention is, moreover, our future quarterly reporting to add not only to METRO AG's transparency at global player level but also to the Metro stock's attractiveness in foreign markets.

The conversion of preferred into common stock has strengthened our capital market position, not least due to our stock thus being tailored to internationally accepted standards for stock indices for whose mix the more fungible free-floating stock class is used to an ever greater extent. The €236 million of additional capital paid in through the stock conversion has further extended our equity-related latitude.

EVA concept implemented within the Group

Adding economic value determines our corporate decisions and underlies both M&A plans and organic growth. Within Metro, EVA is deployed not merely as a controlling tool but also represents everyday practice for our employees. Ever since the groupwide pay structure harmonization, all executive and managerial staff down to outlet managers are paid according to a uniform EVA bonus system. A good 16,000 executive and other staff members were trained and familiarized with EVA, which has meantime been fully implemented as a decision-making instrument within the Group.

Safe food

It is with concern that we view the situation on the meat procurement markets. BSE and the Foot-and-Mouth (FMD) epidemic are leading to some lasting uncertainty on the part of our customers. METRO AG, for its part, supports and endorses every national and international initiative aimed at improving the quality of food in Europe while itself addressing customer concerns with far-reaching quality assurance programs.

Building on our own booms

A difficult macroeconomic environment in Germany and escalating international competition are placing high demands on us, which we are seeking to meet by creating our own booms based on superior outlet concepts. This is exemplified by Cash & Carry's and Media-Saturn's unique success stories and the repositioning of Galeria Kaufhof as the leading outlet format in downtown retailing. Along these tested lines, we plan to strengthen the position of the other outlet chains. We remain open to acquisitions—as well as any form of cooperation—if worthwhile potential for value enhancement is discernible for our stockholders.

We are not seeking growth at any price. Rather, we wish to firmly establish METRO AG as one of the best—and not just one of the largest—trading companies in the international market.

Our thanks go to you as our stockholders, to our customers and business partners, and to our employees for their confidence and support during the past fiscal year.

Yours truly,

Dr. Körber

Dr. Kirsten Mierdorf Suhr

Metro stock

Price trend in 2000

Fiscal 2000 was a period of sharply seesawing stock prices at the world's stock exchanges, Metro stock sharing this experience and declining by **6.7 percent** or, adjusted for the dividend paid, by **4.8 percent**. Our stock thus did better than the majority of the international trading competitors, many of which incurred significant price losses. This downtrend is reflected in the Dow Jones Euro Stoxx 50 Retail, the sector index for European retailer equities, which in 2000 slumped **21.9 percent**. The German DAX 30 ratcheted down by **7.5 percent**.

Price history since 1998

The medium-term price trend of Metro stock is consonant with our business policy of a sustained gain in shareholder value. In 1998, METRO AG realigned its Group strategy through momentous acquisitions and divestments, turning from a broadly diversified, chiefly German into an international trading organization focused on four divisions; in early 2000, Metro Online AG was incorporated to parent E-Business, the youngest division. Since the beginning of 1998, the value of Metro common stock (including dividends) rose by **about 60 percent**, as did the Dow Jones Euro Stoxx 50 Retail (up **60.3%**), but outperformed the DAX 30 (up **52.3 percent**).

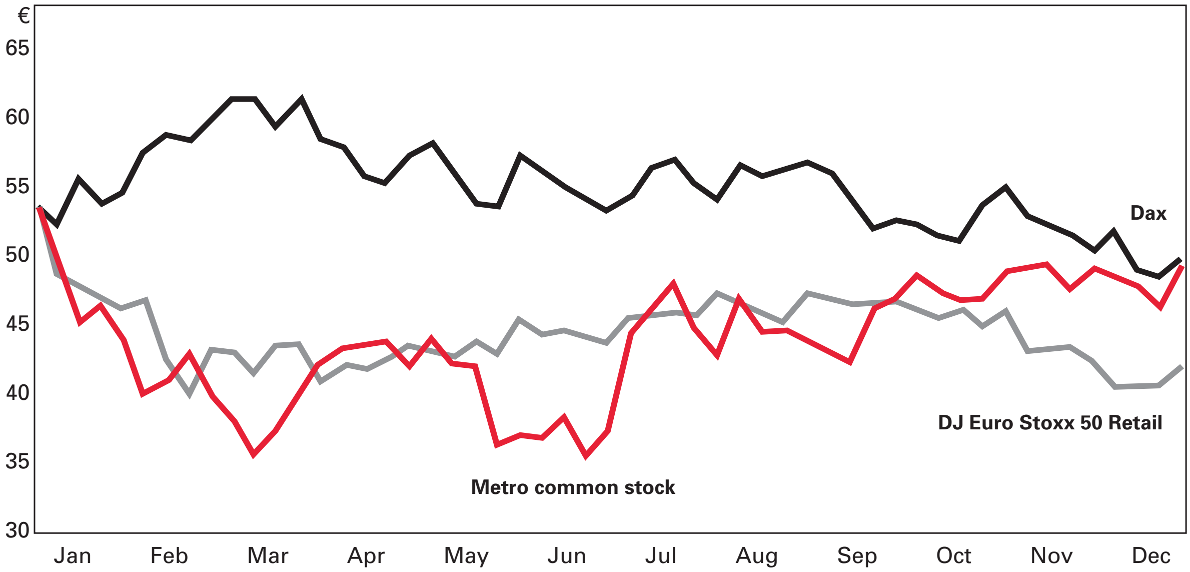
Metro stock enjoying investor confidence

In the early half of 2000, the trend for investors to reshuffle their capital into growth equities of technology, media and telecom (**TMT**) continued. As many other companies, too, METRO AG could not escape this development and suffered a stock price plunge in this difficult market. Stock price volatility was additionally fueled by speculations about METRO AG. The many sales and profit warnings, mainly issued by TMT companies, as well as the general uncertainty about global economic developments caused investors in the latter half of 2000 to re-appreciate traditional valuation criteria, thus rediscovering the stocks of companies with solid profit growth. Metro stock performed above average and closed the year at a price of **€49.80** after a short dent in its uptrend, caused by the exclusion of Metro common stock from the Dow Jones Euro Stoxx 50 under the newly applied free-float regulation.

Market capitalization €16 billion

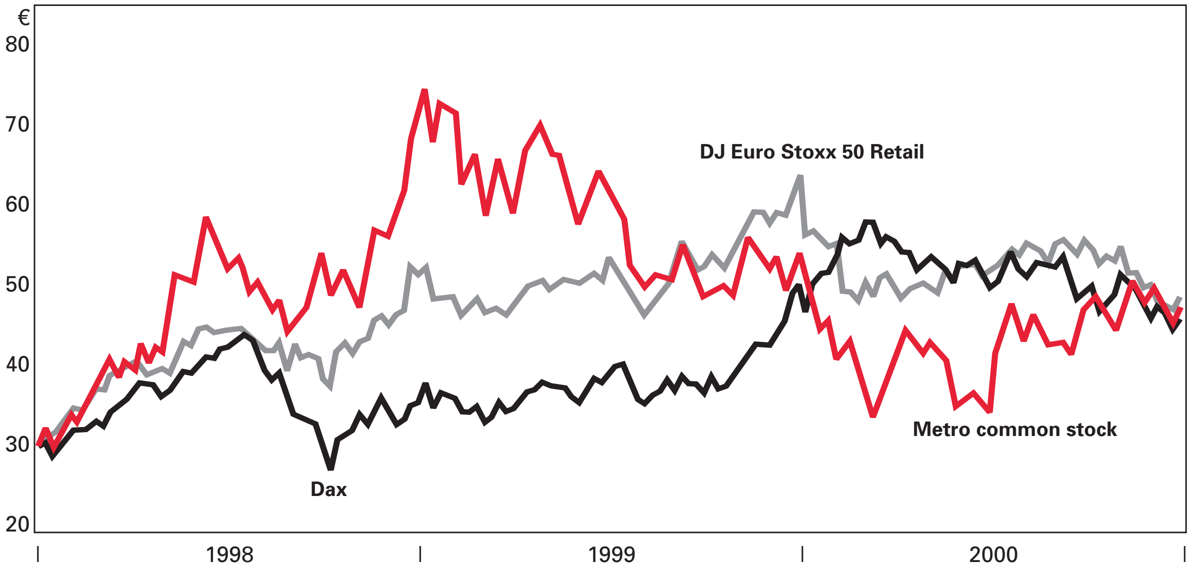
At the close of 2000, METRO AG's market capitalization came to €16.2 billion. Among the DAX 30 companies, METRO AG thus ranked 18th. In terms of trading volume at German exchanges, too, Metro stock is among the 20 top-trading equities. In Germany, Metro stock is listed for official trading on the **Frankfurt** and **Düsseldorf** stock exchanges and included in the **Xetra** electronic trading system and the European options exchange **Eurex**. Outside of Germany, Metro stock is also quoted for unofficial trading at the **Vienna** and **Geneva** stock exchanges.

Performance of Metro common stock in 2000[1)]



1) January 2 through December 29, 2000. Metro common stock in absolute terms; DAX, Dow Jones Euro Stoxx 50 Retail indexed to Metro common stock. Source: Datastream

Price history of Metro common stock since January 1998[1)]



1) January 2, 1998, through December 29, 2000. Metro common stock in absolute terms; DAX, Dow Jones Euro Stoxx 50 Retail indexed to Metro common stock. Source: Datastream

Metro stock key figures

Basic data		2000	1999	1998	1997	1996
Annual closing price [1]						
common stock	€/DM	**49.80/97.40**	53.40/104.44	133.00	64.50	51.67
common stock/ challenged	€/DM	**47.50/92.90**	–	–	–	–
preferred stock	€/DM	**26.00/50.85**	30.00/58.67	80.30	50.20	36.25
Annual high [1]						
common stock	€/DM	**51.25/100.24**	77.05/150.70	133.00	99.60	59.58
common stock/ challenged	€/DM	**50.00/97.79**	–	–	–	–
preferred stock	€/DM	**37.00/72.37**	45.35/88.70	80.30	74.00	43.21
Annual low [1]						
common stock	€/DM	**33.60/65.72**	47.60/93.10	59.64	50.00	50.21
common stock/ challenged	€/DM	**43.50/85.08**	–	–	–	–
preferred stock	€/DM	**18.76/36.69**	25.50/49.87	46.49	35.00	36.04
Total outstanding	shares	**326,787,529**	326,787,495	326,787,495	243,590,388	240,581,806
common stock	shares	**303,786,183**	303,786,183	303,786,183	220,589,076	217,580,494
common stock/ challenged	shares	**20,323,380**	–	–	–	–
preferred stock	shares	**2,677,966**	23,001,312	23,001,312	23,001,312	23,001,312

Profit distribution per share [1]		2000	1999	1998	1997	1996
Common stock						
dividend [2]	€/DM	**1.02/2.00**	1.02/2.00	1.02/2.00	2.00	1.67
tax credit [3] [4]	DM	**–**	–	–	0.03	0.03
total dividend	€/DM	**1.02/2.00**	1.02/2.00	1.02/2.00	2.03	1.70
dividend yield [5]	%	**2.0**	1.9	1.5	3.1	3.3
Preferred stock						
dividend [2]	€/DM	**1.122/2.19**	1.122/2.19	1.08/2.11	2.11	1.77
tax credit [3] [4]	DM	**–**	–	–	0.03	0.03
total dividend	€/DM	**1.122/2.19**	1.122/2.19	1.08/2.11	2.14	1.80
dividend yield [5]	%	**4.3**	3.7	2.6	4.3	5.0

Metro common share data [1]		2000	1999	1998	1997	1996
EBITDA [6]	€/DM	**6.68/13.06**	6.24/12.20	12.01	9.48	9.51
EpS [6]	€/DM	**1.10/2.15**	0.72/1.40	0.78	1.26	1.56
Ratio of price/book value [6]		**3.9**	4.2	5.2	3.1	2.5
Market capitalization	€ bill./DM bill.	**16.16/31.61**	16.91/33.08	42.25	15.38	12.07

NB: The 1996 preferred stock data refers to preferred stock I.

[1] 1996 figures adjusted for the capital increase through the 7-for-5 capitalization issue of July 23, 1997
[2] 1996 dividend incl. bonus equivalent to DM 0.83 per common/preferred share
[3] For stockholders resident in Germany
[4] Solely tax-exempt portions of distributable equity will be/were used for the 2000/1999/1998 dividends.
[5] Based on annual closing price
[6] Prior-year data not comparable due to the consolidated accounts 2000 and 1999 being based on IAS

Conversion of preferred into common stock

The annual stockholders' meeting, with the consent by the special meeting of preferred stockholders, of METRO AG resolved on July 4, 2000, that the preferred may be converted into common stock. In the period from October 6 through 27, 2000, altogether **20,323,380 shares of preferred stock** (equivalent to **88.36 percent**) were converted at the ratio of 1 to 1 into shares of Metro common stock against cash payment of a conversion premium of €11.60 each. These converted shares have meanwhile been officially listed as "common stock/challenged." Through this conversion, METRO AG transferred **€235.8 million** to its **additional paid-in capital**. The common stock grew to **324,109,563** shares, thus accounting for **99.2 percent** of the total capital stock (up from 93.0). Moreover, this transaction proved particularly beneficial to METRO AG's capital market appeal and transparency to German and international investors and hence Metro stock's representation in indices, which is solely ascribable to the market capitalization of Metro common stock.

On March 7, 2001, the Regional Court of Cologne dismissed the actions for avoidance brought by four METRO AG common stockholders against the resolution adopted by the annual stockholders' meeting to convert preferred into common stock. This judgment has not yet become res judicata.

Investor Relations

In the fiscal year under review, METRO AG again intensified its Investor Relations activities, staging presentations at all major financial centers in Europe, the United States, and Asia. One regular event included the meeting with financial analysts on the occasion of the May annual accounts press conference. Moreover, METRO AG presented itself to institutional investors not only at events, one-on-one and round-table discussions, as well as visits to outlets in Germany and abroad but also at **7 international conferences** for retail and wholesale operations where it explained the Group's strategy and business trend. In late August, METRO AG's management informed the capital market in a telephone conference on the 2000 semiannual financial data.

Communication with **private investors** was also broadened. METRO AG established personal contact to stockholders at special events organized together with stockholder associations and banks. The website at **www.metro.de** was redesigned, also by adding service extras such as the subscription to the METRO AG newsletter for regular information about the Group.


HAPPY NEW YEAR
2001
2001
恭賀
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Management report on the METRO AG Group

General economic setting

The world economy: period of dynamic growth passes its peak

During 2000, the **world economy** grew at a more dynamic pace than for a long time but business activity peaked out during the course of the period. Although growth forces in many industrialized countries diminished markedly during the second half of the year, the world economy in 2000 expanded by 4.8 percent in real terms. Among **OECD nations**, real gross domestic product rose by a considerable 4.3 percent, a level not achieved for more than ten years.

Last year, the world economy again benefited from strong growth in the **USA** (up a real 5.0 percent), even though the economic slowdown in the second half of the year was especially pronounced in the United States: Its monetary policy was clearly tightened until mid-year, influenced by increasing overheating of the economy. Sharply rising crude oil prices also served to dampen macroeconomic development, with crude oil importing countries facing a tangible loss of real income. However, strong US economic growth overall not only supplied momentum to other industrialized nations but also boosted the economies of developing and newly industrialized countries. **World trade** thus climbed some 13 percent in 2000.

The recovery was most muted in **Japan**. A real production rise of 1.7 percent in a prospering environment is a strong sign that many of this country's structural problems have yet to be resolved. Despite the lowest possible interest rates, falling consumer prices and a wide variety of reflationary programs (ten fiscal packages between 1992 and 2000) Japan's domestic market again failed to gather momentum in 2000.

Growth in the remaining East Asian region, on the other hand, was very strong. In the **PR China**, overall output—building on the gains of previous years—advanced by some 8 percent. **East Asia's newly industrialized countries** (East Asia excluding Japan and PR China) again recorded real growth of 6.9 percent two years after the crisis.

The expansion rates of the regions of **Latin America** (up 4.2 percent) and **Central and Eastern Europe** excluding CIS nations (up 3.9 percent) were below that of the world economy as a whole. **Russia**, which benefited significantly from the higher energy prices, managed to raise its real gross domestic product by 7.6 percent.

The twelve **Euroland** countries participated in the worldwide upswing, albeit with economic momentum less strong than in most other regions. Moreover, buoyant forces were a little weaker during the second half of the year in Euroland, too. Real growth of 3.4 percent was recorded for the whole year. The rise in exports, still booming in 1999, was somewhat flatter in 2000 even with the euro performing very weakly well into the fourth quarter. More crucial was the restraint on private consumer spending owing to oil price-related losses in real income.

With its overall output rising by 3.0 percent, **Germany** found itself in the lower third among the 15 EU countries. Economic expansion was stimulated by its again strongly performing exports (up a real 13.2 percent). The German economy was also boosted by an above-average rise in plant and equipment expenditure (up a real 9.0 percent). Despite a strong increase in employment and noticeable decline in unemployment, private consumption was disappointing, with private spending climbing just 1.6 percent in real terms, partly owing to high oil prices.

German retail and wholesale trades

German retail sales climbed a nominal 1.3 percent in 2000, advancing from €498 billion to €505 billion. Adjusted for inflation, this represents an increase of 0.1 percent.

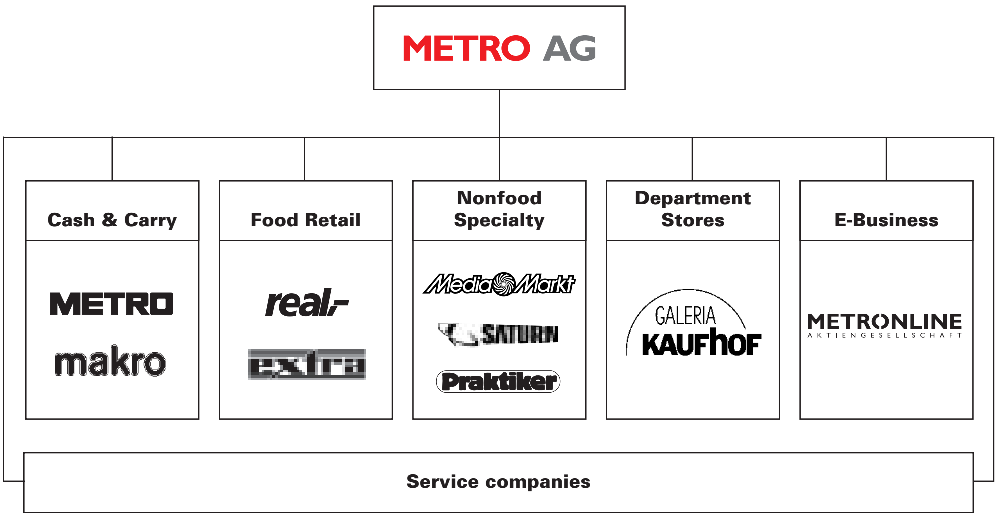
Strict retail trade sales (i.e. excluding motor car, fuel, gasoline, lubricant and pharmacy sales) crept up a nominal 1.6 percent from €369 billion to **€376 billion** in 2000. This represents a **real increase of 1.2 percent**.

German **wholesale trade sales** were very mixed during 2000. Whereas wholesale trading in consumer durables and nondurables rose by some 15 percent in nominal and real terms, sales of food, beverages and tobacco stagnated (down a nominal 0.3 percent and a real 0.9 percent). Overall, wholesale trade sales (excluding motor cars) climbed 10.3 percent (**up a real 4.0 percent**).

Formation of the METRO AG Group

Today's METRO AG was formed in 1996 from the merger of the former Asko Deutsche Kaufhaus AG, Deutsche SB-Kauf AG and Kaufhof Holding AG Groups as well as the contribution of Metro Cash & Carry and trade-related service companies.

As part of its shareholder value policy and driven by the strategy of focusing on portfolio, store format optimization and globalization, the Group was then remolded, marginal operations divested, and the core businesses anchored through strategic takeovers. The annual report 2000 gives an account of this now clearly structured Group, consisting of METRO AG as the management holding company, five operating divisions and the services allocated to them:



Instruments of corporate governance

Economic Value Added (EVA)

The process of anchoring value orientation in the minds of decision-making staff progressed well and as planned in 2000. EVA as a central benchmark for value growth, as well as the pertinent controlling and management system have been locally implemented throughout the Group's outlet chains.

EVA = NOPAT – capital cost
or
EVA = NOPAT – (capital employed × WACC)

- **EVA** is calculated from the net operating profit after taxes (NOPAT) and before interest on financing, less the cost of capital employed (CE). This cost of capital (CoC) corresponds to the weighted returns on investment (ROI) claimed by lenders and stockholders. No economic value is added unless NOPAT exceeds CoC.

- **Capital employed** comprises the fixed assets and net working capital tied up during a specific period.

The executive staff within the Group thus have suitable tools to make **strategic and operational decisions** that result in a commensurate positive EVA, and consequently to (re)route resources to projects which are expected to add the highest economic value.

The translation of EVA-based corporate governance into **operational practice** centers on pegging variable pay components to the delta EVA achieved. Part of the bonus of meantime over **16,000 employees** (including some 2,500 managerial and executive staff) is dependent on the value actually added. This interrelationship of performance and remuneration is a direct, consistent means to collineate the interests of stockholders and employees.

This pay system is based on the following principles:

- EVA is the central magnitude for determining the variable pay component. The alignment of the variable-pay system to a **specific annual delta EVA** rather than individually negotiated plan targets or benchmarks ensures a high degree of **transparency**, strengthens employee confidence in the Company and creates **strong workforce motivation**.

- This straight-line bonus system is open-ended in either direction. There are **neither any lower** limits which to attain is a prerequisite for a first-time bonus payment, **nor any ceilings**. Due to the linear correlation, staff will always participate pro rata, whether the delta EVA is **positive or negative**.

- The EVA-based pay system is not designed to maximize personal income short term but as a **long-term**, continuous improvement of the variable pay portion and thus of METRO AG's MVA. A "**bonus bank**" is established for each participant in the EVA bonus system. Out of the EVA bonus determined for one year, only part is paid out directly while the balance is credited to the bonus bank account, thus permitting years yielding a negative delta EVA to be **offset** against positive values.

Such an attractive pay-performance linkage emphasizes a **business-like way of thinking and acting** at every Group level. Any incremental income and any cost reduction impact on both the entire Group and personal pay.

This annual report publishes for the first time the **EVA by each outlet chain**, thus offering outsiders, too, a detailed insight into the Group's EVA-related performance.

At a positive delta EVA of €106 million in fiscal 2000, the Group has made a **substantial leap forward**. This favorable trend in EVA-based corporate governance is ascribable to further operational enhancements within the outlet chains and a continuously improved management of capital employed despite high expenditures. Thanks to the good operating performance in 2000, METRO AG boosted its NOPAT by €124 million. Capital employed rose in the wake of expansion and, with WACC constant, the cost of capital edged up €18 million.

EVA and delta EVA

	2000				1999	
€ million	NOPAT	CE	CoC	EVA	EVA	**Delta EVA**
Cash & Carry	497.4	4,288.7	300.2	197.2	121.8	**75.4**
Food Retail	223.1	6,900.7	483.0	(259.9)	(291.5)	**31.6**
Hypermarkets	200.1	5,353.4	374.7	(174.6)	(210.2)	**35.6**
Food Stores	23.0	1,547.3	108.3	(85.3)	(81.3)	**(4.0)**
Nonfood Specialty	281.4	3,466.8	242.6	38.8	32.8	**6.0**
Consumer Electronics Centers	188.9	703.3	49.2	139.7	125.8	**13.9**
Home Improvement Centers	92.5	2,763.5	193.4	(100.9)	(93.0)	**(7.9)**
Department Stores	134.4	2,284.3	160.0	(25.6)	(39.2)	**13.6**
Outlet chains	1,136.3	16,940.5	1,185.8	(49.5)	(176.1)	**126.6**
Others/consolidation	(45.6)	3,394.6	237.6	(283.2)	(262.5)	**(20.7)**
Group	1,090.7	20,335.1	1,423.4	(332.7)	(438.6)	**105.9**

The further **improved operational efficiency** of Cash & Carry, Hypermarkets, Consumer Electronics Centers, Department Stores, as well as of the remaining operations of the Group (subsumed under Others) all contributed to the Group's positive delta EVA.

As expected, the **repositioning and remodeling programs** implemented at Praktiker and Extra resulted temporarily in a negative delta EVA.

Capital employed rose mainly as Cash & Carry, Consumer Electronics Centers and Hypermarkets expanded, but improved operating results outcompensated the higher capital cost incurred for this increased CE. With business brisk, Department Stores refined its CE management techniques even further, thus paring its CoC significantly. The Others line mirrors the performance of METRO AG as the management holding company as well as the results from the remaining real estate.

The still existing underachievement in relation to **corporate benchmarks** is reflected in a negative total EVA. The strategy of profitable growth determined for the Group aims at focusing expansion on Cash & Carry and Consumer Electronics Centers as well as at implementing programs to step up operating performance by Hypermarkets, Food Stores and Home Improvement Centers and, therefore, METRO AG expects the Group to succeed in the medium term in narrowing and eventually closing the gap between NOPAT and capital cost, thus generating a sustained EVA for METRO AG's stockholders.

International Accounting Standards (IAS)

Ongoing globalization on the part of the capital markets and business in general increasingly calls for international rather than local accounting standards. METRO AG has satisfied these added requirements by adopting an investor-oriented information policy and introducing IAS as primary accounting basis.

On April 24, 1998, Germany enacted new legislation (the so-called **KapAEG**, as a first step toward facilitating equity raising) and introduced a new **Art. 292a** in the German Commercial Code (HGB), according to which German listed companies may draw up and publish **consolidated accounts** according to internationally accepted accounting standards (such as IAS or US GAAP) **in lieu of consolidated financial statements under German law**.

With its IAS-based consolidated financial statements **2000**, METRO AG exercised **for the first time** the option offered by Art. 292a HGB and prepared exempting group accounts in accordance with internationally accepted accounting principles, thus waiving the preparation of group accounts on the basis of the Commercial Code. **Prior-year** figures were restated according to IAS to ensure **direct comparability**.

With a view to satisfying the need of investors for more information and strengthening METRO AG's capital market position, this realignment **aims** to

- improve the quality of information, especially to investors and financial analysts, about METRO AG's results of operations and its net assets,
- ensure international comparability of financial information,
- introduce quarterly reporting.

EBIT / EBITDA

METRO AG uses EBIT and EBITDA as corporate controlling parameters under IAS to assess the **profitability** of its outlet chains.

The controlling parameter **EBIT** represents the net income for the period before net financial result, extraordinary items and income taxes and is used to assess the **operating capability** independently of the finance structure and local tax issues.

The controlling parameter **EBITDA** constitutes the EBIT before depreciation (of tangible assets) and amortization (of intangible assets including goodwill) and describes the **operations-related internal finance potential** without regard to tax load, finance structure and asset valuation issues.

Group sales

In fiscal 2000, the METRO AG Group generated net sales of **€46.9 billion (up 7.1 percent)**. At **€19.8 billion, non-German sales** climbed from 39.2 percent to **42.2 percent** of the total.

METRO AG Group: Trend of net sales

	2000 € million	1999 € million	Change € million	Change %
Cash & Carry	**21,032**	19,473	1,559	8.0
Food Retail	**11,087**	10,912	175	1.6
Hypermarkets	**8,166**	7,972	194	2.4
Food Stores	**2,921**	2,940	–19	–0.6
Nonfood Specialty	**10,198**	8,652	1,546	17.9
Consumer Electronics Centers	**7,619**	6,144	1,475	24.0
Home Improvement Centers	**2,579**	2,508	71	2.8
Department Stores	**3,941**	4,001	–60	–1.5
METRO AG divisions	**46,258**	43,038	3,220	7.5
Others	**672**	795	–123	–15.5
METRO AG Group	**46,930**	43,833	3,097	7.1
thereof non-German sales	**19,789**	17,186	2,603	15.1

Capital expenditure

At **€1.9 billion, total capital expenditures** by the METRO AG Group equaled the prior year's.

Cash & Carry invested **€577 million**, mainly for expanding within the southern and eastern parts of Europe.

At **Food Retail**, the ongoing modernization and restructuring of the existing Real network, conversion of Allkauf/Kriegbaum outlets and expansion at home and abroad entailed expenditure of **€323 million** while at Extra, the remodeling of existing branches to the Extra marketing concept and expansion within Germany called for spending of **€90 million**.

New locations and the revamping and expansion of existing Consumer Electronics Centers claimed **Nonfood Specialty** expenditure of **€267 million** while Home Improvement Centers' spending totaled **€100 million** because of the repositioning program and further improvements to the German branch network as well as expansion abroad.

Investments by **Department Stores** reached **€167 million**, chiefly for improvements and remodeling as well as refurbishing existing Galeria branches and expanding brand shops.

A total of **€32 million** was invested in building up the **E-Business** division. This does not include spending by the outlet chains on developing new online distribution channels, which is shown under the respective companies.

METRO AG Group: Cash flow statement[1)]

€ million	2000	1999
Gross operating cash flow	**10,683**	9,492
Outflow of other operating funds	**(8,911)**	(7,263)
Cash flow from operating activities	**1,772**	2,229
Cash flow from investing activities	**280**	(2,145)
Cash flow from financing activities	**(1,986)**	(573)
Total cash flows	**66**	(489)
Exchange rate effects on cash & cash equivalents	**(7)**	(3)
Overall change in cash & cash equivalents	**59**	(492)
Cash & cash equivalents at January 1	**1,162**	1,654
Cash & cash equivalents at December 31	**1,221**	1,162

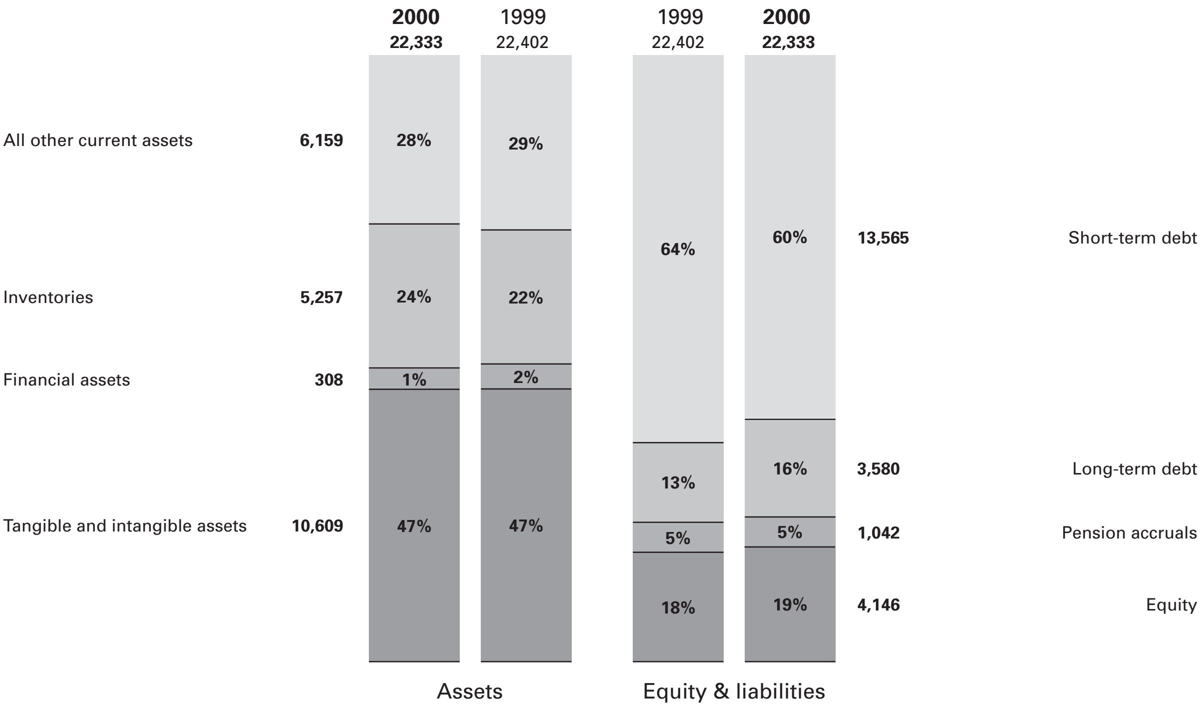
1) Abridged; for full statement, see the consolidated financial statements

Asset and capital structure of the Group

METRO AG's 2000 consolidated balance sheet shows an equity capital of €4,146 million, which covers 38.0 percent of fixed assets.

Total assets of €22,333 million bring the equity ratio to 18.6 percent. Net financial accounting indebtedness amounts to €4,270 million, or 19.1 percent (down from 21.3) of the balance sheet total, after netting interest-bearing assets and liabilities.

METRO AG Group: Balance sheet structure
€ million



EBIT and EBITDA

During the period, the METRO AG Group generated EBIT of **€1,024.8 million** (**up 2.5 percent**) and EBITDA of **€2,184.0 million** (**up 7.1 percent**)

METRO AG Group: Performance trend

	2000	1999	Change	
	€ million	€ million	€ million	%
Cash & Carry	**571.5**	513.4	58.1	11.3
Food Retail	**12.8**	16.7	–3.9	–23.4
Hypermarkets	**52.7**	42.1	10.6	25.2
Food Stores	**(39.9)**	(25.4)	–14.5	–57.1
Nonfood Specialty	**236.8**	248.5	–11.7	–4.7
Consumer Electronics Centers	**266.0**	223.7	42.3	18.9
Home Improvement Centers	**(29.2)**	24.8	–54.0	–217.7
Department Stores	**180.8**	163.8	17.0	10.4
E-Business	**(6.3)**	–	–6.3	–
EBIT, METRO AG divisions	**995.6**	942.4	53.2	5.6
Others	**29.2**	57.3	–28.1	–49.0
Total EBIT, METRO AG Group	**1,024.8**	999.7	25.1	2.5
Net financial result	**(270.7)**	(318.7)	48.0	15.1
EBT	**754.1**	681.0	73.1	10.7
Income taxes	**(331.6)**	(376.0)	44.4	11.8
Group net income	**422.5**	305.0	117.5	38.5

Performance trends by division

Favored by the encouraging operational trend in Germany and abroad, the **Cash & Carry** division's EBIT rose to **€571.5 million.**

Against the background of continued aggressive pricing in German food retailing, the Hypermarkets outlet chain within **Food Retail** improved its EBIT to **€52.7 million.** The **negative EBIT of €39.9 million** contributed by Food Stores fell short of the expected performance. The change-over to the new Extra marketing concept was the primary loss-making factor.

Within **Nonfood Specialty**, the results of the Consumer Electronics Centers' operations improved despite the start-up losses from internationalization and the ongoing expansion in Germany. EBIT mounted to **€266.0 million.** Praktiker's performance trend was impeded by nonrecurring reformatting factors due to the merchandise remix, as well as by sales lost during the restructuring phase. Start-up losses from internationalization rose in the wake of expansion. The Home Improvement Centers produced a **negative EBIT of €29.2 million.**

Thanks to the operational uptrend at the Galeria locations, further cost-paring programs and optimized internal work flows, **Department Stores** recorded an EBIT of **€180.8 million.**

The new **E-Business** division showed a **negative EBIT of €6.3 million** (excluding the outlet chain activities).

Net income of the Group and earnings per share

In fiscal 2000, the Group's net income of **€422.5 million** was **38.5 percent** above the prior-year level. After deducting minority interests, the Group's net income allocable to METRO AG stockholders amounts to **€358.8 million** (up **53.2 percent**).

Earnings per share (EpS) of the METRO AG Group in 2000 came to **€1.10**. Calculated according to IAS 33 (Earnings per Share), this figure represents a like-for-like gain of **53 percent** over the year-earlier €0.72.

A diluting effect such as from so-called potential shares (stock options) did not occur, whether in 2000 or the year before.

The calculation for fiscal 2000 was premised on a weighted total of 326,787,524 shares to which the net income of €358.8 million (after minority interests) was distributed.

				Change	
		2000	1999	absolute	%
Group net income	€ mill.	**423**	305	118	38.5
Minority interests	€ mill.	**64**	71	(7)	–9.9
Group net income after minority interests	€ mill.	**359**	234	125	53.2
Number of shares issued	shares	**326,787,529**	326,787,495	34	0.0
Earnings per share	€	**1.10**	0.72	0.38	52.8

METRO AG's profit and its appropriation

METRO AG's net investment income in the year under review totaled €1,069 million (up from €966 million). After including other income, expenses and taxes, net income came to **€510 million** (up from €475 million).

METRO AG's Supervisory and Executive Boards will propose to the annual stockholders' meeting on June 20, 2001, to appropriate the profit of **€334 million** (down from €336 million), which remains after transfer of €176 million (up from €139 million) to the reserves retained from earnings, as follows:

- Distribution of a cash dividend of €1.020 (~ DM 2.00) for each common share
- Distribution of a cash dividend of €1.122 (~ DM 2.19) for each preferred share

Solely tax-exempt portions of distributable equity (“EK-01”) will be used for dividend payment.

The EK-01 dividend does not include any input tax credit and is therefore subject to capital yields taxation at source. For German resident stockholders (unless corporate), it represents taxable income. The capital yields tax certified withheld (including the solidarity surtax thereon) is creditable to an eligible stockholder's income tax debt.

Divisions of the Group

The **management report** describes the concepts and operations of outlet chains and service companies. For details of business trends by division and geographical market, see the **segment reports** in **Note (34)** to the consolidated financial statements.


METRO
MARQUE
EXCLUSIVE
6
CERVOISE
Gilbert
BIERE BELGE
BRYGGERIGRUPPEN

Cash & Carry

Accounting for **45 percent of sales**, Cash & Carry is METRO AG's prime source of business. Now in **20 countries** with **353 large-space outlets** and a combined selling space of **2,972,000 m²**, the Metro and Makro outlet chains are offering business customers and large institutional consumers a broad and richly assorted range of food, with special emphasis on fresh produce, as well as a wide mix of nonfood items for general business needs. Compared with traditional wholesalers, the **advantages** of the Cash & Carry division are its low prices, the broad assortment of merchandise, extended business hours during the week, and off-the-shelf merchandise availability in both large and small quantities. With its multifold proven **merchandise mix competence**, Cash & Carry is a one-stop shopping outlet which meets the needs of business customers by offering them a flexible source of supply with exceptional service and value for money.

Well-known **manufacturer brands** and a strong range of **private labels** at attractive prices are essential elements of the Cash & Carry outlets. **Product quality** is an overriding consideration in the selection of merchandise assortment and, in conjunction with shoppers and suppliers, Cash & Carry analyzes customer quality expectations while continuously monitoring outlet compliance.

This **focus on bargain prices** by Cash & Carry is based crucially on a **low-cost approach**, which is reflected throughout the outlets in their highly functional design and fittings, plus a keen cost awareness by staff working at both the outlets and headquarters.

"Cash & Carry" stands for **system orientation** as expressed in clearly defined concepts and the use of the latest computerized processes and procedures. **Customer focus and benefits** enjoy the utmost priority when deploying this system with a view to satisfying customer demand even more efficiently and in the best way possible. The sales areas are designed to a specific pattern and hence easily transferable. A **modular outlet concept** has been developed and tailored to the local competitive environments and customer potentials, along with a matching mosaic for the respective product mixes. Combined, these factors are ideal for promoting the ongoing **expansion and internationalization** of the Cash & Carry business.

Strategic activities during the fiscal year

The rollout in **Slovakia** took place in November 2000 with three large C&C outlets opening on one and the same day, preparations for which were spearheaded by the country organization in the Czech Republic. This was in line with Cash & Carry's strategic objective of entering one or two new countries every year as part of its expansion drive, with regional penetration of Central and Eastern Europe continuing apace.

At the same time, the Cash & Carry division tested a new organizational form in markets with limited potential where independent management would be too costly. Under this system a smaller country is assigned organizationally to a larger and managed by this structural head office using inhouse synergies. Business management is correspondingly tailored to the operationally required core functions.


Bars
39,90
Turbot
69,90
METRO
Bar 1/2
Pélagique France
119,90
HT
Bar de
Ligne France
159,90
HT
METRO
Turbot aquaculture Espagne
69,90 kg

The realigned C&C formats, **"Markt der Zukunft"** or **Outlet of Tomorrow**, launched in Germany and Great Britain in 1999, have been extended to other stores thanks to the encouraging customer response and pleasing sales growth. In Germany, for instance, following the first three pilot stores in 1999, the outlets in Aachen, Bremen, and Dortmund 1 and 2 as well as Giessen were converted in 2000. Makro opened nine C&C outlets in Great Britain following extensive revision of the merchandise mix, interior fittings and exterior appearance. Customers benefit especially from the greatly enhanced fresh produce range, the grouping of nonfood items in customer-oriented zones, clear wholesaling-oriented goods presentation aimed at increasing the ease of shopping, and additional ranges of services.

Following the success of the first pan-European **advertising campaign** to mark Cash & Carry's 35th anniversary in September 1999, two campaigns directed by Metro Cash & Carry GmbH as the division parent were conducted in 2000. Under the "gastronomic fair" theme, food and nonfood items tailored to the needs of professional customers in the horeca sector were pooled, purchased and marketed throughout Europe at attractive prices in May and June. The "Top Brands—Best Prices" campaign that followed in September/October focused on offering customers well-known branded goods supplemented by Metro's private labels from its food and nonfood range in every country at outstanding prices. Apart from the encouraging effect on sales, both measures made a crucial contribution to further sharpening Cash & Carry's image as **"the professional for professionals"** through superior services.

Branching out accelerated

During 2000, Cash & Carry stepped up the expansion rate of its branch network considerably by **opening 31 new** C&C outlets, almost twice as many as the prior year's 16 new openings.

In addition to the 28 new establishments which greatly strengthened the presence in existing countries, the first three C&C outlets were opened in Slovakia as mentioned, representing entry into a new market. Two more outlets were opened in the Czech Republic with another three new C&C branches each in Bulgaria and Romania, further cementing the division's position as the premier trader in these countries. In the French market, the successful established **Eco concept**, which is geared primarily to the needs of professional customers from the horeca sector and food retailing with its vast food expertise and special emphasis on fresh produce, was extended to another five locations. This outlet concept also proved popular in Spain with the opening of two new branches and in Greece, Italy and Portugal, where one such store was established in each country. In Germany, two new branches opened up. In addition, four former Kriegbaum wholesale outlets were acquired and integrated into the branch network as of November 1, 2000. The expansion drive was rounded off by opening up one new outlet each in the Netherlands and Morocco as well as two new branches in PR China.

Sales growth leap

The Cash & Carry division generated sales of **€21.0 billion** during the period under review, a growth of **8.0 percent** (same-space sales, up 3.9 percent), with sales in Germany climbing 1.6 percent to €5.2 billion (same-space, up 1.4 percent).

Cash & Carry also saw its business elsewhere in Europe and in PR China increase considerably. Rising 9.6 percent (like-for-like, up by 4.8 percent), sales in Europe (excluding Germany) reached a level of €15.5 billion. In the PR China, sales leapt 42.9 percent to €0.4 billion (LFL, up 5.5 percent).

Non-German sales accounted for **75.5 percent** (up from 73.9 percent) of the total.

Earnings up

EBIT advanced owing to favorable business operations by **11.3 percent** from €513.4 million to **€571.5 million**.

Capital expenditure

Expenditure by Cash & Carry added up to **€577 million** (up from €458 million), with southern and eastern Europe enjoying high priority.

Workforce at home and abroad

Following the successful integration of Metro and Makro under the roof of Metro Cash & Carry GmbH, the focus shifted toward developing and communicating a new **corporate identity**. With the broad participation of the C&C national companies' management teams, a corporate vision and guidelines were developed which are being conveyed to every employee of the C&C holding company and in all the countries concerned as part of an intensive communications process. The resultant clear and common understanding of these issues will form the basis for success in the years ahead.

Due to expansion, the annual average number of employees increased from 56,090 to **61,711** (translated into full-time equivalents), hereof 15,071 in and 46,640 outside of Germany.

Strategic outlook

Making purposeful use of market opportunities, Cash & Carry will maintain its growth momentum at a high level.

Following stabilization of the political situation in the **Russian Federation**, coupled with a noticeably encouraging trend in economic development and substantial market potential, entry into this market means a logical extension of the growth strategy pursued in central and eastern Europe. Aided by the head start of an already high awareness level and favorable image among commercial customers, Cash & Carry plans to develop the market in **Croatia**.

The presence in Asia will be placed on a broader footing in 2001 with the opening of the first outlets in **Vietnam**. A decision has already been made on investing in **Japan** and **India**, with preparations already in full swing. Cash & Carry has obtained a license for the nationwide operation of C&C outlets in India.

With the first chain license to be granted to a joint venture by the central government in Beijing, Metro has the opportunity to invest in all the major cities of **PR China**. Cash & Carry with its eight C&C outlets is already one of the largest foreign trading companies in the country. The ambitious goal set for 2001 is to almost double the number of wholesale outlets followed by strong expansion in the years ahead with the central government's support.

Recognizing that the **Eco concept**, which has achieved an excellent positioning in France, offers substantial market opportunities in countries with a strong tradition of eating out (AFH) and a large number of restaurant and catering establishments, Cash & Carry plans to use the Eco outlet concept to spearhead its expansion drive in these countries. This applies above all to the **Mediterranean** region.

Both the Cash & Carry division's continuously strong growth and optimization of the business system call for systematic efforts to preserve employee skills and numbers so as to prevent possible shortages. The planned **"Haus des Wissens"** or **House of Knowledge** aims to provide all employees in the medium term with an Internet-based platform designed to transfer know-how and lighten the daily workload. Through this professional knowledge management employees will receive efficient and easy access to the relevant business information, best practices, electronic learning applications, and virtual project forums. The establishment of further **competence centers** in suitable countries, along the lines of the existing skills-upgrading academy in France, will also boost efforts to impart knowledge methodically.

In order to firmly establish an organization that is more process- than function-oriented, work has started on examining the core processes in the C&C national companies systematically. Using internal and external benchmarks these processes are being standardized at the highest level internationally taking effectiveness and efficiency factors into account. Duly adapted organizational structures and computer systems promise significant savings potential.

As internationalization progresses, the creation of **category management** at the level of the division parent, Metro Cash & Carry GmbH, will pave the way for optimized cooperation with suppliers and exploitation of cross-border advantages in goods procurement for all countries engaged in wholesaling activities.

The successfully launched process of converting stores into outlets of tomorrow in Germany and Great Britain will continue steadily, the experience gathered flowing into an all-embracing concept with which Cash & Carry is seeking to establish itself as a global brand in the self-service wholesale trade.


real
real
4 44

Food Retail

Hypermarkets

Fiscal 2000 was a period in which **Real** consolidated its market leadership in the German and Polish hypermarkets segment while expanding its competitive position in Turkey.

Structures streamlined in Germany

The period under review was marked by strict **streamlining** of the organization. Within Germany this meant reducing the sales regions from fifteen to eight, easing administrative work flows, improving process chains through an optimized inventory management system with data warehouse link-up, introducing automatic ordering and pressing ahead with electronic data interchange (EDI). As part of far-reaching **outlet optimization** unprofitable outlets were closed, sold or replaced by new developments, conversion to the Real model continued, and the food and nonfood marketing concepts implemented in 1999 were improved and further established in the store network.

Concepts enriched and subtly diversified

Freshly caught fish in the "covered markets" and in-store baker's shops have gone down well with customers. These were supplemented by regional specialties with a strong emphasis on **quality and freshness**. A flexible price policy served to sharpen Real's profile, while skills-enhancing courses for sales staff boosted customer acceptance.

The new combined food and nonfood format **Baby, Kids & Co** is directed at parents of children up to the age of six. The nonfood concept introduced in 1999 was optimized and duplicated. In addition, testing of complementary product ranges was conducted in the conventional nonfood segment including, among others, **B.O.B.** (Best of Books), **Debitel shops** (telecommunications), **Bluestar** (outerwear), and **Terra** (footwear). The Bluestar concept, which is being pursued on existing clothing selling space, will enhance attractiveness in the outerwear sector.

Customer loyalty strengthened through Payback card

Real hypermarkets have been participating in the Payback savings program since March 2000, having almost **3 million customers** in the Real Club Payback System by year-end. This laid the foundations for a database marketing system which will allow even closer examination of individual customer requirements and make cross-selling effects apparent. In addition, cardholders spent on average 20 percent more on their purchases. The proportion of customers using the Payback card of a partner company was initially 17 percent and has been steadily rising ever since. Even in this early stage of the program it has therefore been possible not only to achieve the declared aim of enhanced customer loyalty but also to attract new customers on a considerable scale.

Branch network optimized

The **German** branch network was further optimized, with five new large-space outlets contrasting with the disposal of 18 hypermarkets—two of these transferred to the Extra outlet chain—as well as another eight outlets converted to the new Real marketing concept. At the close of 2000, Real had **276 hypermarkets**, hereof **246** in Germany and **30** abroad, with an aggregate selling space of **2,005,800 m^2**.


Oszczędzaj
z real-em
PAMPERS
Pieluchy
dla dzieci
midi,maxi,maxi plus
junior
54,95

Real hypermarkets achieved **market leadership** in **Poland** back in 1999, a position that was consolidated and further expanded during the period. Another five outlets were added to the existing 19, thus providing a nationwide presence. In **Turkey**, the expansion drive progressed swiftly following the delays arising from the 1999 earthquake with the opening of another four outlets. Real now has six hypermarkets in this country.

Increased sales

Hypermarkets generated sales of **€8.2 billion** in fiscal 2000 (up from €8.0 billion). This is equivalent to a **2.4-percent** gain, with like-for-like sales dropping 0.3 percent. Including the disposal of unprofitable outlets and those not suitable for conversion, sales in **Germany** inched down 2.8 percent from €7.5 billion to **€7.3 billion** (LFL, down 0.9 percent). During the period, the former Allkauf and Kriegbaum outlets achieved a sales turnaround, former Allkauf branches in particular registering pleasing sales in the second half of the year.

Outside of Germany, Real sales surged by €0.4 billion to **€0.9 billion** (up 88.7 percent), due to the expansion drive. The existing branch network also performed encouragingly, especially the hypermarkets opened in Poland in 1999, which raised their sales considerably on the comparable prior-year period. In terms of same-selling space, sales climbed 12.0 percent. **Non-German sales** rose from 5.7 percent to **10.5 percent** of the total.

Profit situation stabilized

Against the background of continued aggressive pricing in German food retailing, Hypermarkets improved its EBIT from €42.1 million by **25.2 percent** to **€52.7 million** in 2000. Despite ongoing expansion in Poland and Turkey, start-up losses abroad declined slightly to €69.4 million.

Capital expenditure

Capital expenditure amounted to **€323 million** (down from €381 million). In Germany it totaled €267 million (down from €325 million). Outside of Germany, capital spending came to €56 million (virtually unchanged), most of which went into building the new outlets.

Workforce adjusted

Employees at all outlets were urged to step up customer focus and trained within the “making employees aware” program to adopt a customer-friendly approach, be motivated and engage in proactive selling.

Owing to the disposal of outlets and streamlining of the organization, the annual average Real workforce based on FTE in Germany declined from 31,571 to 29,211. Abroad, the number of employees advanced from 4,963 to 7,286 because of the expansion drive. In all, Real had a workforce of **36,497** (down from 36,534).

Strategic outlook

Improving the quality of Real's presence in Germany and **expanding** the hypermarket network abroad will again be high on the agenda of activities in 2001. At international level, Real is set to open another three hypermarkets in Poland and one more in Turkey, continuing its expansion drive according to plan. Further developing and implementing **outlet concepts** is as important as the need to raise **customer satisfaction** through enhanced services, cross-range campaigns and improved communications in the outlets. Based on the information gathered from the Payback card scheme, **database marketing** will also help in responding to individual customer requirements more vigorously.

Food Stores

The Food Stores of the **Extra** outlet chain offer a comprehensive selection of edibles with ample **fresh produce** along with durables and nonfood convenience items for **daily shopping**. As a budget-price full-range type of store, Extra is especially cost conscious about shop design and goods presentation.

Fiscal 2000 was characterized by continued difficult market conditions in German food retailing. Stagnating to declining sales contrasted as in previous years with a sharp rise in selling space, aggressive pricing among food discounters also having an adverse impact. One way in which the Metro Group's Food Stores is standing up to this cutthroat competition is by systematically remodeling the existing branch network to the Extra marketing format.

Marketing model advanced

As the Extra branches are speedily converted to the new format, so the marketing idea is being defined more closely. This applies especially to the enhanced **merchandise mix competence** in the nonfood segment with its incorporated regional components or emphasis on local demand but also to more attractive positioning within the sales premises. The advertising media are succinct in depicting key themes such as "mother and child." The concept also involves the staff, with branch employees having been trained in competence, friendliness and fast service in the service departments. At year-end, **206 outlets** (up from 102) had been reformatted to the new marketing model, giving Extra the **most modern branch network** in the food store segment.

Outlet network optimized

Extra is continuing its focused optimization of the branch structure. Fiscal 2000 saw the debut of **21 outlets** and the shutdown of 34 mainly smaller ones. Some of these establishments are now run by private retailers and franchised with merchandise. At year-end, Extra's German organization consisted of **498 outlets** (down from 511) with a combined selling space of **828,200 m^2**.

Sales just short of prior-year level

At **€2.9 billion**, sales in 2000 fell by **0.6 percent** compared with the year earlier (like-for-like, down by 1.7 percent). In relation to the downtrend among its rivals, Extra therefore held its own, even though its reformatted stores could not completely offset the declining sales of the unconverted outlets. In the wake of the branch network optimization, the franchisees raised wholesale revenues by 29.6 percent to €81 million.

Earnings eroded by remodeling

At a **negative €39.9 million** (versus a negative €25.4 million the previous year), **EBIT** remained below expectations. This was due to nonrecurring costs arising from the altogether 104 newly opened or reformatted outlets, investment-related increased amortization/depreciation, and temporarily higher payroll expenses owing to concept implementation. During the period, structural measures were taken relating to personnel administration which will ease the cost situation from 2001.

Capital expenditure remaining high

At **€90 million**, expenditure was up 16.9 percent over the year-earlier €77 million. The main areas of spending were the conversion of existing branches to the Extra marketing concept, in which €44 million was invested, the opening of new outlets in line with the new format, accounting for €17 million, and the purchase of software.

HR development

During 2000, **skills-upgrading measures** focused on workshops and seminars dedicated to customer and employee orientation as well as training in new technologies and systems. The trainee program was completed by 446 junior staff, and 126 candidates were prepared in young-executive and development programs for their future tasks as assistants and outlet or area managers.

In terms of annual average FTE in 2000, Extra's workforce totaled **13,948** (down from 14,346).

Strategic outlook

Efforts in 2001 will focus on increasing **selling-space productivity**, especially by further enhancing the fresh-produce range. Through flexible staff deployment, the services offered to customers especially in the evening hours will be expanded. The introduction of a **new merchandise information system** with electronic ordering and use of a data warehouse will optimize the process chain relating to the flow of goods and information, thus improving the cost structure.

Extra is optimizing the branch network by continuing to convert existing outlets and opening new branches in line with the Extra concept. In addition, another 90 bakeshops will be installed and express bakeries set up in the smaller outlets in 2000.


Markt

Nonfood Specialty

Consumer Electronics Centers

Consumer Electronics Centers comprise the **Media-Markt** and **Saturn** outlet formats. In 2000, Europe's number one managed to increase the lead over its rivals substantially. In Germany alone, according to a representative survey about the success of the two-brand strategy, 35 percent of those asked had bought their latest television set, their laptop or their cell phone in an outlet belonging to the Media-Saturn Group. This customer acceptance forms the basis of a welcome business trend and fast growth both at home and elsewhere in Europe.

Competitive edge thanks to superior concepts

In Germany, Media-Saturn pushed ahead with optimizing existing outlets alongside its expansion drive. Selling space was enlarged and goods presentation redesigned to stress the assortment's orientation toward technological innovations.

Dovetailing the concepts to local conditions and consumer habits played a major part in the success of both new and existing outlets. The Media-Saturn Group's **300th outlet** opened in Amsterdam in November is—like the branches in Düsseldorf, Madrid, Rotterdam and Warsaw—modeled on the **Metropolitan** concept. In France, the second store in line with the **Planète Saturn** format was opened in Lille.

The Media-Saturn Group is gaining an increasingly firm place in customer perceptions through national advertising campaigns focusing on its core capabilities—**technology** and **value for money**. In the wake of an amplified national presence and rising number of locations, the marketing for the Saturn brand was stepped up and made the focus of a TV and cinema campaign for the first time. Saturn is thus pursuing a similar path to that of Media Markt, whose success results not least from its unmistakable advertising presence. The investment in the brand is already paying off and forms the basis of tomorrow's success.

Expanding European market leadership

During the period, systematic internationalization was successfully advanced with the **opening of 38** consumer electronics centers. For the first time as many new stores were opened abroad as in Germany: three Media-Markt stores each in Spain, Poland and Hungary, two in the Netherlands, one Media-Markt and Saturn outlet each in Austria, a Planète Saturn in France and five Media World branches in Italy. However, the number of new centers opened is less crucial than the consistent **positioning** in foreign markets, continuous raising of **market share**, **awareness**, and the expansion of European **market leadership**.

At year-end, the Media-Saturn Group comprised **314** consumer electronics centers in nine European countries, with **220** of that total in **Germany**. The selling space climbed by 16.9 percent from 729,000 m^2 to **852,300 m^2**.

Media Markt
Media Markt

Media-Saturn on the Internet

Media-Saturn's online activities focus on developing solutions for using the Internet as an additional communications platform aimed at strengthening brand image and customer relations. Together with its investee **surfEU.com**, an Internet service provider, the Media-Saturn Group became the first trading company to launch **private label portals** for the Media-Markt and Saturn brands. Apart from supplementing its own brand presence on the Internet by offering a low-cost and transparent access tariff, the first **Media Online shops** were opened in Germany and Italy. With a product range geared to the Internet the shops have established themselves as **the** net address for the online marketing of special offers with the well-known Media-Markt features.

In addition, Media-Saturn along with partners is setting up a leading European portal for the mobile Internet. Through its cooperation with numerous WAP service providers and SMS services the **Jamba!** portal will offer users the best of mobile information and communications, mobile entertainment and commerce. The mobile Internet portal is gearing up early for the new-generation **GPRS** and **UMTS** units to come.

Non-German share of sales over 30 percent

In fiscal 2000, Consumer Electronics Centers generated sales of **€7.6 billion (up 24.0 percent**, on a same-space basis up by 9.4 percent). In **Germany**, Europe's largest, most attractive and constantly growing national market, sales amounted to **€5.3 billion**, representing a rise of 19.4 percent or 8.7 percent on a like-for-like basis. In this fiercely competitive environment, the Media-Saturn Group further expanded its market leadership through gains in market share. **Outside of Germany**, sales rose by an overproportionate 36.0 percent from €1.7 billion to **€2.3 billion** due to the expansion drive (LFL, up by 11.2 percent). In 2000, the non-German share of sales exceeded the 30-percent mark for the first time (up from 27.6 percent).

EBIT improved despite expansion drive

Fiscal 2000 saw a further improvement in the profitability of Consumer Electronics Centers despite higher start-up losses in the wake of internationalization and expansion at home. **EBIT** climbed **18.9 percent** from €223.7 million to **€266.0 million**. This figure includes losses incurred through market entry and expansion in Poland, Spain, Hungary, and the Netherlands.

Capital expenditure up

Owing to the additional locations, as well as the modernization and expansion of existing centers, capital expenditure exceeded the year-earlier €212 million and reached a new record of **€267 million**.

Expansion creates jobs

In times of rising demands on specialized skills the **training** of junior staff deserves special attention, with inhouse training guaranteeing the best results. Fiscal 2000 saw the creation of 2,522 new jobs owing to accelerated expansion and stepped-up advice and services. During the period, an average **18,924 people** (in FTE) were employed by Media-Saturn (up from 16,402).

Strategic outlook

The Media-Saturn Group will continue to focus on its internationalization efforts, with special emphasis on **Italy**, the **Netherlands**, **Spain** and **Poland**, while investigating entry into new countries. In **France**, the plan is to convert the Hyper Media outlets to the successful Planète Saturn format, whereas the aim of expansion in **Germany** is to augment the Saturn branch network.

High priority will again be given to staff **general** and **further training** in both outlet formats during 2001, with subject-specific advanced training playing just as important a role as personal coaching in order to do justice to the expanded range of services. Saturn in Germany launched the Future Attack project aimed at preparing employees for increased customer expectations.

The expansion of brand-appropriate **e-business** activities will gain further importance. In particular, the advantages of the decentralized structure are to be utilized more intensively through regionalized websites. Systematic research of the market and consumers will remain a key focus, with the suitability of individual product groups for e-commerce and the needs of online customers also coming under examination.

Home Improvement Centers

The home improvement center sector continues to be characterized by high growth in selling space and even fiercer cutthroat competition. Customer demand for both broad and deep assortments at the best possible prices and the expectation of extensive additional services are reflected in the repositioning program embarked on by Praktiker Bau- und Heimwerkermärkte AG.

Outlet remodeling

Fiscal 2000 saw the implementation of a new corporate strategy designed to establish Praktiker as a retail brand with a clear positioning, distinctive identity, and offering good value for money. The objective is to develop Praktiker into a preferred shopping center for all kinds of jobs around the house and in the garden, and to combine the already very **favorable price image** among customers with associations of even **better value**.

The cornerstone of this realigned strategy is a thoroughly revised policy regarding selection and range of the core product assortment which will take stronger account of trend products. This, in turn, will lead to the accessing and exploitation of existing customer potentials. Gardening items are among the growth segments of particular significance. Rounding off the product mix are extended range-related **services**.

As part of the repositioning drive, the whole network of Home Improvement Centers in Germany was supplied with revised assortments during 2000, with 16 outlets undergoing structural conversion to the new concept. The opening of new large branches with integrated gardening centers underlines the impression of variety, modernity and spaciousness.

The success of the new outlet concept is confirmed by good **customer response**. The widespread introduction of additional services has already boosted customer satisfaction measurably. An extensive image campaign—reflecting improved customer focus—under the slogan "Impossible to ask for the impossible" ("Geht nicht gibt's nicht") as well as stepped-up regional public relations activities are designed to improve the image of the Praktiker brand and increase awareness of it.

The remodeling of the **sales outlets** started in 1999 was completed during fiscal 2000. Thanks to systematic optimization of the entire chain of processes sales employees were relieved of non-sales jobs, with all the Home Improvement Centers in Germany being converted to a modern, flexible IT structure. The resulting availability of **expert consultants** is one of the main reasons for increased customer satisfaction.

Steady growth abroad

In 2000, the total number of Praktiker centers rose to **351** with a selling space of **1,898,100 m²**. Inside Germany, five outlets opened and eight small stores closed. Including the 27 Top home improvement centers acquired at the beginning of 2000, the German network therefore increased to **307** locations.

Newly opened centers outside of Germany (two in both **Hungary** and **Turkey** and four in **Poland**) raised the total abroad to **44**. This means that Praktiker has widened its market leadership in strategically important expansion countries, while consolidating market predominance in Greece and Luxembourg by continuing to revamp its existing network of branches.

Sales above year-earlier level

In fiscal 2000, Home Improvement Centers raised sales by **2.8 percent** to **€2.6 billion**. On a same-space basis, sales shrank 4.0 percent.

German sales, including the first-time consolidated 27 Top centers, came to **€2.2 billion**, the level of fiscal 1999. On a like-for-like basis this represented a decline of 5.3 percent due to remodeling work and revised assortments and given generally difficult market conditions. Despite the major temporary impact of the remodeling activities, this decline was in line with the overall trend in the sector. The Extra Bau & Hobby wholesale franchisees showed sales of 68 million (down from €74 million) at their 37 outlets. The decline was attributable to closedowns.

Abroad and due to expansion, sales climbed 21.2 percent from €335 million to **€406 million**, on an LFL basis an improvement of 4.5 percent. The non-German outlets' share of sales climbed from 13.3 to 15.7 percent.

Performance

EBIT receded from €24.8 million to a **negative €29.2 million**. In Germany, the conversion-related nonrecurring effects of assortment adjustment amounting to €27.0 million as well as declining sales, also due to remodeling measures, eroded profit. Start-up losses abroad rose from €18.4 million to €19.3 million.


33
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LG

Capital expenditure

During the period, capital outlays amounted to **€100 million** (down from €317 million). The sharp difference was mainly due to METRO AG topping up its stake in 1999, as well as the repositioning drive and optimization of the branch network in Germany. Merchandise remixing was conducted in 286 outlets in Germany, with major remodeling being completed in 16 centers.

Investment in human resources, too

As part of the repositioning program, alongside efforts to enhance the specialized skills and customer focus of employees, staff **training courses** concentrated in particular on the application of modern information technologies.

Inside Germany, the number of employees, translated into full-time staff, rose by 928 to 13,000 owing to the integration of the Top home improvement centers and additional staffing requirements during merchandise remixing. Abroad, expansion pushed up the headcount by 622 to 3,669. Translated into full-timers, Praktiker employed an annual average of **16,669 people** (up from 15,119).

Strategic outlook

Optimization of the **branch portfolio** will continue in 2001. New large centers will be opened and unprofitable small locations closed. Over the next three years, more centers will have undergone remodeling to the new concept following assortment adjustment. Throughout, Praktiker's customers will be offered a new range of **services**. In 2001, the introduction of a high-quality craftsman service is planned, thus upgrading Praktiker’s performance in this aspect, too.

Abroad, strategic expansion will continue to focus on **Hungary**, **Poland**, and **Turkey**, while in the remaining foreign-based outlets ongoing improvements to the existing product mix will be the main area of activity.


FALKE
FALKE

Department Stores

The year 2000 was marked by sustained pressure on the retail trade to change. The internationalization of suppliers in downtown areas advanced. Types of business little affected by restrictive shop-opening hours such as filling stations and mail-order trade as well as new shopping centers in railroad stations and airports built on their competitive lead in an environment which shows few signs of spare purchasing power. Macroeconomic conditions and the general political setting left little scope for growth momentum. Nevertheless, Kaufhof Warenhaus AG held its own successfully in the marketplace, consolidating its position as a highly innovative and profitable company.

Further developing outlet concepts

Business policy focused on implementing and promoting the various sales formats as well as expanding e-commerce. New standards in assortment, visual merchandising and communication for an up-to-date shopping experience have greatly helped to position **Galeria Kaufhof** as a retail brand with a new basic idea and distinctive profile. Upbeat emotions, zest for life, a shopping experience, surprise and enthusiasm—the new slogan “Galeria Kaufhof—I can't wait“ (“Galeria Kaufhof—Ich freu’ mich drauf!“) is intended to convey all these things. So as to bring about an intensive and widespread impact the communication campaign was extended to television, an important medium in raising brand awareness. A new corporate design supports the marketing strategy. Attractive national and international lifestyle brands extend the product mix in high-growth areas and stand for merchandise competence and exclusivity, with private labels also gaining ground.

Competence, ambience and experience characterize the **Sportarena** concept. International sporting brands and brand shops underline the nature of the specialty store while reflecting the dynamic change in the sports market. With the opening of a Sportarena in Dresden, this outlet format now comprises twelve stores. The **Emotions** concept is defined by an invitingly feminine and sensory atmosphere, an emphasis on feel-good and pampering qualities and an innovative combination of "direct experience" ranges with wellness services. As a specialty store Emotions offers women exclusive lingerie, day and night underwear, swimwear and keep-fit clothing, perfumes and cosmetics. The Emotions model has been implemented at three locations to date.

The new outlet formats have been managed by their own subsidiaries since January 2000. This step into autonomy has strengthened creativity and flexibility for operating successfully in the marketplace while tapping the synergy benefits of Kaufhof Warenhaus AG's systems and services.

Increased involvement in **urban marketing** projects serves to safeguard the general environment of Kaufhof branch locations. In North Rhine-Westphalia (NRW), Kaufhof Warenhaus AG participated repeatedly in the "Let's go downtown!" cooperation project run as part of the NRW city initiative by the state's Ministry for Urban Development. Events held in 27 towns and cities made a considerable contribution to reviving downtown areas and making them more appealing.

E-commerce, the newest form of marketing, has tapped growth potential via the Internet in addition to over-the-counter business. E-shopping activities were considerably expanded as part of the multi-channel strategy pursued by Kaufhof subsidiary Gemini-Medien. The foundation stone was laid with the target group-specific Internet shop **Zebralino**, which offers merchandise and information "relating to every aspect of the child." Kaufhof Warenhaus AG is deliberately relying on **close interlinking** of online and offline product mixes and services in conjunction with the high awareness and reputation of the Kaufhof name in the marketplace.

Ways of boosting customer loyalty

Customer focus and loyalty measures were also promoted in 2000. March saw the introduction of the **Payback Galeria card** with substantial benefits for the user. The link to the cross-industry Payback system considerably increased the number of customer cards. As a result, customers collect points not only at Galeria Kaufhof branches and the new outlet formats but also both offline and online with more than 25 partners. This Payback program is the **market leader** in Germany.

In order to meet the objective of stepping up customer relations and gearing assortments even more closely to demand, the information gained from the **customer cards** forms an important basis for decision-making. With customer details added to the existing data warehouse, marketing and merchandise mix decision-makers will have up-to-date information about buying behavior at their fingertips.

A direct dialog is taking place at local level with the development of a "barometer" for continually measuring **customer satisfaction** and through discussion groups held at the branches to which interested parties are invited. In the fall of 2000, a systematic survey was conducted to measure how satisfied customers are with the services of Kaufhof Warenhaus AG. The favorable results will stimulate further optimization.

Synergies as a competitive advantage

On the one hand, the outlet formats need independence in their merchandising as the prerequisite for establishing a distinctive image but, on the other hand, potential synergies are exploited in purchasing, logistics, and administration.

Organization and logistics activities are currently focusing on further developing the merchandise information and logistics systems aimed at supporting the new outlet concepts, implementing the e-commerce strategy operationally and managing customer relations. Interlinking the e-shops and their communications interfaces on the Internet with the established systems environment of the department store enables a **broad merchandise mix** and **reliable control**. Integration into merchandise management, accounting and parts of the logistics operation at Kaufhof Warenhaus AG opens up far-reaching synergies in the background processes.

Cooperation with suppliers under the **ECR** (Efficient Consumer Response) program was expanded and supplemented by additional processes, with electronic data interchange (EDI and/or web EDI) ensuring efficient communication between those involved in the process. Increased inventory management among suppliers and shorter order cycles have made possible a significant concentration of **logistics space**.

Optimization of the outlet network

Following the conversion of another seven branches, **73 stores** have already been adapted to the **Galeria** model. Architectural optimization and the development of adjacent space created an additional 20,184 m² of floor area. At the end of 2000, the Galeria branches with a selling space of 932,700 m² accounted for 71 percent of Kaufhof department stores' total sales area of **1,319,300 m²**.

Galeria spurs sales gains

Sales by Department Stores totaled **€3.9 billion (down 1.5 percent)**, the decline being attributable to wholesale transactions with former Group companies. Retail sales themselves grew by **0.2 percent**, like-for-like by 0.1 percent. The Galeria outlets continued to develop with a same-space increase of 0.7 percent; in the unconverted branches on the other hand sales fell by 4.9 percent. The vertical-style Kaufhof formats Sportarena and Emotions performed encouragingly.

EBIT up again

Supported by the good performance at the Galeria outlets, further cost-pruning programs and improvements to the internal process chains, **EBIT** improved in fiscal 2000 by €17 million from €163.8 million to **€180.8 million**. Despite continued high investment and spending on conversions to the Galeria concept as well as the development of e-business, this represented a rise of **10.4 percent** compared with the preceding year. The return on sales climbed from 4.1 to 4.6 percent.


ESPRIT
ESPRIT
ESPRIT

Investment in expanding market position

During the period, capital expenditure exceeded **€167 million** (down from €208 million), most of which, some €97 million, went toward extension and conversion. The number of outlets remodeled to Galeria receded from nine to seven, one Sportarena was opened. The focus was also on refurbishing existing Galeria branches and expanding brand shops, which accounted for €32 million. Investment in developing and supplementing multimedia systems in the branches was aimed at consolidating market position.

Upgrading staff skills as a success factor

Customer satisfaction is the aim of all activities. With regional HR development centers and by exploiting synergies, demand-oriented investment was made in **initial, further and continuing training**. Seminars, workshops, and leadership and sales training courses support staff self-improvement, as does the company TV project, K-TV. Kaufhof used "bottom-up appraisals" of executives and the second companywide employee survey conducted since 1997 as tools in staff and organizational development, achieving encouraging and lasting changes in leadership attitudes.

Translated into full-timers, the annual average workforce totaled **21,840** (down from 22,425).

Strategic outlook

Galeria reformatting will continue in 2001. Marketing will focus on strengthening **Galeria Kaufhof as a brand**, with advertising and displays geared to the retail brand objective. An integrated visual merchandising concept will be developed as a prototype with defined uniform and centrally controllable standards.

Thanks to the successful pilot project in Düsseldorf, the interactive customer television Galeria TV will be extended to other outlets.

The market trend in **e-commerce** shows that **interlinking** brick-and-mortar and click-and-mortar businesses is becoming a central **success factor**. With its comprehensive branch network Kaufhof Warenhaus AG is in the best position to tap the new sales potential as part of its multichannel strategy. In 2001, further Internet shops targeted at specific groups will be developed.

The customer card scheme is to be forcefully expanded in order to step up **customer loyalty**. The "customer barometer" will be used regularly in future to gauge customer satisfaction and draw conclusions about appropriate improvement measures.

The abolition of the Rebates Act and the regulations governing giveaways opens up wide-ranging opportunities for new and **creative marketing**, thus enabling Kaufhof Warenhaus AG to continue building on its market position as a customer- and trend-oriented department store.


SURF INN CAFE
Menu

E-Business

During fiscal 2000, the METRO AG Group consistently expanded its E-Business activities. Entrepreneurial thinking and the impact of business models determine the development of this new division, with the focus on business-to-business markets (**B2B**) alongside business-to-consumer (**B2C**) operations and **e-venturing**. These activities are directed at expanding conventional brick-and-mortar outlets and developing new forms of business as well as bringing about process optimization throughout the Group. With its e-commerce applications METRO AG is exploiting its existing strengths:

- Established retail brands in B2B and B2C markets
- Existing customer relations and customer profiles
- Longstanding relations with suppliers
- IT and process know-how

The Europe-wide network of locations and integration into the outlet chains' marketing measures represent a major advantage for developing this business segment successfully.

Metro Online AG established

Metro Online AG was founded in April 2000 in order to bundle Group know-how and resources. It **supports** the outlet chains in their own e-business activities, **initiates** and **implements** new interdivisional e-business ideas and **seeks** stakes in trade-related e-business companies.

Support for the outlet chains embraces process chain organization, provision of web-fulfillment know-how, management of IT platforms and alliance partners, as well as ensuring the transfer of knowledge.

Metro Online AG is focusing on identifying and promoting growth potential as well as supporting the development of new business primarily in the **B2B** sector. The company is also pressing ahead with the establishment of **global**, cross-industry communications standards, through which and the use of global B2B marketplaces existing potential is to be exploited as part of process optimization.

E-commerce activities in the Group

According to the principle of indivisible brand leadership, extending the stationary retail brands through e-commerce is the responsibility of the individual outlet chains, leaving Metro Online AG in charge of all other activities.

Cash & Carry has made an online extension of stationary **B2B** business. Under the domain **www.metro24.de** C&C has been offering its resellers Internet shopping since July 2000. The product range comprises in the first phase office supplies and equipment, to which further assortments will be added, comprehensively covering the needs of business customers on the Internet.

Metro Online AG has built up new **B2B** business with a target group-specific portal for small and midsize enterprises (SMEs) in the horeca sector. The portal (**www.dayconomy.de**), which will be extended to other target groups in the near future, provides industry-specific information, facilitates the development of communities through interaction and offers an expanded range of products and services. The aim is to make the portal an integral part of the day-to-day SME business.

In the **B2C** sector, the Media-Saturn Group has been supplementing its brick-and-mortar business in Germany with its own Internet portal since July 2000. The new "MediaMarkt portal powered by surfEU" operated in cooperation with the Internet service provider surfEU.com can be reached under **www.portal.mediamarkt.de**.

In late 2000, Kaufhof Warenhaus AG relaunched its website (**www.kaufhof.de**), which now offers the option of ordering products from four specialty shops via the Internet. Closely linked to the stationary Kaufhof business, the **B2C** portal Zebralino was started at **www.zebralino.de** in September 2000. The target group is boys and girls up to the age of twelve and their parents. The portal can be supplemented by additional online shops.

In January 2000, METRO AG acquired a stake in the Primus Online group, which develops and operates Internet business models and therefore possesses the relevant know-how and a management team with e-commerce experience: **www.primus-online.de**.

Internal processes have been handled electronically within the METRO AG Group for many years. Metro Online AG intends to promote **process optimization** throughout the Group using Internet technology, especially with regard to communications with partner companies. Through stakes in **GlobalNetXchange (GNX)**, San Francisco, USA, and **Sparkice**, a local B2B platform in PR China, and through web EDI technology and the know-how of service companies, the METRO AG Group has a successful combination of expertise, technologies and partners. The Group expects sustained efficiency benefits from Internet-based process optimization.

Metro Online Ventures GmbH, Metro Online AG's newly founded corporate venture company, supports trade-related **start-up companies** with an extraordinary combination of capital, contacts and extensive know-how from brick-and-mortar retailing, thus securing access to new technologies and innovative business models.

EBIT

Excluding the outlet chain operations, this division's EBIT was **negative** and came to **€6.3 million**.

Capital expenditure

During fiscal 2000, Metro Online AG spent **€32 million** on developing its E-Business division. This figure does not contain the outlet chains' spending on building up new online distribution channels.

Employees

Metro Online AG had an annual average staff of nine.

Strategic outlook

With its activities to date the METRO AG Group has laid the foundations for playing a leading role in European e-business. Resource allocation will continue to be selective.

The structures created to date will be expanded and extended in the years ahead as part of this strategy, with the focus remaining on the **B2B** segment. Metro Online AG will analyze new technologies and trends and exploit them for the Group. By identifying new and promising business models and then implementing them speedily Metro Online AG and its E-Business division are set to become an integral part of the METRO AG Group.

Others

This segment comprises the operations not assigned to the divisions, viz. the trade-related service enterprises, and the instore and freeway restaurants. Largely owing to the smaller scope of services provided to third parties, sales by Others declined 15.5 percent from €795 million to **€672 million**.

The Group's service companies perform the following functions for the divisions:

- Strategic procurement and private-label management (MGE/Gemex)
- Procurement and distribution logistics, food storage logistics (MGL/MDL)
- IT services (MGI)
- Production, agency and media services (MWG)
- Instore and freeway restaurants (Dinea)
- Facility and center management (MRE)
- Central A/P clearing and assumption of collection risks (MIAG/MGR)
- Financial and insurance services (Metro Finance, Metro International Finance, Metro Euro Finance, Assevermag)

The pooling of these services generates measurable **incremental value**. The synergies achieved and the costs incurred are allocated to the **originating** outlet chains.


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Metro-Gruppen-Einkauf (MGE) / Gemex Trading AG

MGE is the **central procurement organization** of METRO AG. Ongoing improvements to buying prices, terms and conditions without compromising existing quality standards help to strengthen the market position of the outlet chains. This bundling and strategic control potential gives METRO AG substantial organizational leverage in its negotiations with German and foreign suppliers, thus generating sustained **competitive advantages** for the entire Group.

Fiscal 2000 saw progress with expanding the international procurement organization for the subsidiaries in **Poland** and **Turkey**. For matching merchandise mixes, the emphasis was on a transnational harmonization of prices, terms and conditions, as well as the pooling of quantities at item level.

Parallel to internationalization, efforts were directed at pursuing a uniform **private-label policy**. European quantity pooling and the integration of national trade brands into the international program of private labels will achieve good customer acceptance and a sharper profile for all the Group's outlet chains. A groupwide private-label program offering good value for money can therefore strengthen customer loyalty lastingly. Universal **quality properties** have been defined and uniform **quality control** criteria adopted in order to promote private labels. Testing and certification covering marketability, safety and serviceability are the responsibility of an independent laboratory.

E-commerce in global **B2B marketplaces** is intended to tap procurement potential. Following Metro Online AG's participation in **GNX,** auctions were conducted on this market platform on a trial basis for the first time in 2000. Electronic tendering of order quantities in test product lines made it possible to conduct feasibility tests, gather experience about the economic success of such auctions and gain important processing know-how.

MGE had an average of **869** (up from 841) employees (FTE) of whom 289 (down from 291) were accountable for a strategic buying volume of **€38 billion** (up from €34 billion). The remaining workforce performed purchasing and related administrative services on behalf of the outlet chains.

Gemex Trading AG acts as a worldwide import agent for METRO AG's outlet chains and for third-party customers. It is currently concentrating on tapping new sources of supply in eastern Europe/Russia and Southeast Asia and on optimizing processes through e-commerce. Gemex's procurement volume increased by 8 percent to **€1.3 billion** in 2000. The company's workforce averaged **688** (FTE) worldwide (up from 676).


METRO

Metro-Gruppen-Logistik (MGL) / Metro-Distributions-Logistik (MDL)

MGL provides logistics services for the METRO AG Group especially in organizing and monitoring **haulage operations** including the related administrative services from invoicing to logistics advice.

The system of **procurement logistics**, successfully applied in Germany, achieves synergies through consolidating and optimizing haulages. Fewer doorstep deliveries, either at the warehouse or the outlet, also result in more efficient **handling of incoming goods** as well as higher environmental compatibility. The encouraging experience, shared by the METRO AG Group and suppliers who have joined the MGL scheme, with the procurement logistics and the considerable advantages achieved over the years are the starting point for further expanding the existing systems.

MGL provides a **variety of logistics services**, from coordinating the shipments arriving at the central warehouses to the doorstep distribution control of imported goods from the warehouses to the outlets, from engaging new providers of transport services contractually to optimizing their business processes, and from organizing the haulage of advertising and reusable material to handling returned goods within the Group. Synergies are achievable by combining such services and transferring know-how.

During the period, important groundwork was laid for transferring MGL logistics services to other European countries, for instance through the establishment of subsidiaries in **Poland** and **Austria**. Contractual negotiations with service providers and suppliers were started with a view to commencing operations in Poland and Austria at the start of 2001. Logistics has been under MGL's control in **Turkey** since 2000.

Standard systems, permanent logistics controlling, as well as monitoring and early warning systems were expanded or further developed. **Administrative work flows** are being constantly improved in all MGL areas as part of process optimization. This includes handling electronic data interchange (EDI), using the intranet, and work flow concepts.

Translated into full-timers, MGL employed an average of **61** people during the period (up from 50).

MDL is the logistics services provider for the **Real** and **Extra** outlet chains. From **seven locations** it performs the central warehousing function for the dry foods, fresh produce, fruit and vegetables, and frozen foods ranges. Its services comprise procurement, monitoring of goods' quantity, quality and prices, inventory management and the assembly of orders as well as their delivery to the Real and Extra outlets. For the outlets this is advantageous especially with regard to the short delivery times, high supply quotas and a largely automated and uniform business process. Nonfood items, chiefly imports, are distributed through **two warehouses**.

Installation started of a new **warehouse & inventory management system** aimed at further improving the logistics processes. The project is due to be completed during 2001. As part of the constant work on improving scheduling systems the number of those suppliers receiving their orders electronically (**EDI**) was significantly raised. The aim of this intensive cooperation with the industry is high **inventory availability** coupled with **reductions in stocks**.

In fiscal 2000, MDL's workforce, translated into full-timers, averaged **2,530** persons (down from 2,792).

Metro-Gruppen-Informatik (MGI)

MGI provides IT services for METRO AG's outlet chains both nationally and internationally with a view to exploiting all potential for synergies and rationalization in this area.

A focus of business activity in 2000 was the on-schedule and successful implementation of strategically important projects in applications development. Worthy of special mention is the completion of the new **web-based merchandise information system (MIS)** for wholesaling and retailing, which by year-end had already been put to use in 83 Real hypermarkets and 112 Extra food stores. The application based on state-of-the-art Internet technologies provides the outlets with extensive and convenient inventory control functions via a user-friendly interface (GUI).

In addition, information systems were expanded using **data warehouse technologies**. METRO AG now operates the largest European data warehouse in the trade with **24 terabytes** of disk storage capacity and more than 1,500 users. Apart from the system's further development, distribution logistics users and the Real hypermarkets were hooked up during the period.

For Metro Online AG, a modern web platform was developed and put into operation in e-business for the “dayconomy” **horeca portal** inside a period of three months.

Key projects at international level were the introduction of a new merchandise information and logistics system in **Italy** and **France**, the integration of outlets in the recently entered market of **Slovakia**, and preparations for expansion into additional countries. Innovative projects such as customer relationship management and new point-of-sale and self-scanning technology were launched and prepared for implementation.

In mid-year, the **Polish** MGI subsidiary assumed responsibility for all of Real's IT activities in Poland, marking a further milestone in the bundling of IT responsibilities and resources. As a logical extension of this policy, MGI's **Turkish** subsidiary is preparing to take on the same role in 2001.

Other successful operations included the move into the new **computer center** in Düsseldorf and completion of the Alzey computer center's integration. Capital spending largely focused on creating the technological infrastructure and on acquiring hardware and software for central operations aimed at supervising the new MIS in the outlets.

As part of the groupwide **euro project**, systems developments were completed and operational preparations made according to plan. **Interlinking** with Group companies is ensured through a project team. Alongside internal compliance with scheduled euro activities, the progress of conversion work for all IT systems and interfaces within the whole Metro Group is **permanently monitored by MGI**. Most of the adjustment measures will have been completed by mid-2001 so that any new legal requirements can be responded to in good time.

The work schedule for 2001 will also focus on introducing the new **MIS** completely in the Real and Extra outlets, selecting, adapting and piloting new **strategic** C&C **POS software**, expanding **e-business** programs and relocating the Cologne computer center.

High demand for qualified **specialists** for the strategically important software development and introduction projects was largely covered despite the difficult situation in the IT labor market. During the period, the average number of employees rose from 567 to **619** (FTE).

Metro-Werbegesellschaft (MWG)

MWG is the METRO AG Group's procurement and service company for both national and international advertising. It pools and optimizes purchasing and production volumes as well as services, manages an intercompany image databank and harmonizes business procedures in order to achieve **cost savings and service consistency** for METRO AG's outlet chains.

During the period, efforts centered on penetrating the European **procurement market** and **quality assurance** requirements from a technical and organizational point of view. Continuing improvements to internationally coordinated purchasing are enabling MWG to create in negotiations with domestic and foreign suppliers a favorable starting position for exploiting and securing optimum terms.

As part of METRO AG's internationalization drive, MWG established a subsidiary fulfilling similar functions in **Poland**. These include public relations, the production and circulation of advertising materials, consultancy, project control and the running of advertising campaigns and events, as well as the invoicing of advertising measures, all aimed at utilizing synergies and benefit potential for the outlet chains in the country.

MWG's key tasks include the ongoing modernization of **administration** following successful business process optimization. Fiscal 2000 saw the adjustment of document management with integrated electronic transmission and auditing of invoices, further development of the image databank structure in the direction of multimedia, and expansion of advertising materials production.

MWG's corporate objectives and measures continue to be directed at strengthening national and international **market positions** and obtaining further technical and organizational advantages for METRO AG's outlet chains.

In fiscal 2000, MWG's workforce (translated into full-timers) averaged **66** (down from 72).

Restaurant and catering (Dinea)

Dinea is the **leader** in the German market for instore restaurants and at year-end operated **245** eateries mainly in METRO AG Group outlets under the names Dinea (department stores and shopping malls), Grillpfanne (hypermarkets and multistore centers), and Axxe (freeway service-area restaurants).

During the period, another three restaurants were acquired, two freeway restaurants opened, four franchisee establishments brought back under Dinea's wings, and 24 loss-makers closed as part of the revamping drive. The relaunch concept has already been successfully implemented for Grillpfanne at 43 of the locations, with a similar number due to be converted in 2001 thus completing the remodeling program. The network of freeway service-area restaurants is being expanded in a targeted manner.

At **€0.2 billion**, the Dinea Group's **sales** were encouraging and in line with expectations, the decline of 3.6 percent being due to closedowns. **Capital expenditure** of **€13 million** (up from €10 million) went mainly into refurbishing/remodeling seven Dinea and 38 Grillpfanne eateries as well as three freeway service-area restaurants.

During the period, the Dinea Group employed an average of **3,469** FTE (down from 3,604).

Portfolio of branches worldwide

Branches by country

Country	Cash & Carry 2000	Cash & Carry 1999	Food Retail 2000	Food Retail 1999	Nonfood Specialty 2000	Nonfood Specialty 1999	Department Stores 2000	Department Stores 1999	Restaurants & Catering 2000	Restaurants & Catering 1999	Group 2000	Group 1999
Germany	**81**	75	**744**	770	**527**	484	**132**	130	**242**	257	**1,726**	1,716
Austria	**11**	11			**26**	24			**3**	3	**40**	38
Belgium	**6**	6									**6**	6
Bulgaria	**6**	3									**6**	3
PR China	**8**	6									**8**	6
Czech Republic	**9**	7									**9**	7
Denmark	**4**	4									**4**	4
France	**71**	66[1]			**13**	12					**84**	78[1]
Great Britain	**27**	27									**27**	27
Greece	**6**	5			**6**	6					**12**	11
Hungary	**9**	9			**16**	11					**25**	20
Italy	**31**	30			**28**	23					**59**	53
Luxembourg					**3**	3					**3**	3
Morocco	**5**	4									**5**	4
Netherlands	**14**	13			**4**	2					**18**	15
Poland	**18**	18	**24**	19	**23**	16					**65**	53
Portugal	**8**	7									**8**	7
Romania	**7**	4									**7**	4
Slovakia	**3**										**3**	
Spain	**23**	21			**4**	1					**27**	22
Switzerland					**11**	11					**11**	11
Turkey	**6**	6	**6**	2	**4**	2					**16**	10
Abroad	**272**	247	**30**	21	**138**	111			**3**	3	**443**	382
Total	**353**	322	**774**	791	**665**	595	**132**	130	**245**	260	**2,169**	2,098[1]

[1] Method of counting multibranch locations in France changed versus the 1999 segment report

Employees and their development

METRO AG—an international group

On average the METRO AG Group employed **225,215** persons in 2000 (excluding apprentices; up from 216,457). Translated into **full-timers** (FTE), this was equivalent to a workforce of **179,561** (up from 171,440), of whom **61.3** (down from 63.3) percent were women.

In the 21 countries outside of Germany in which it is now represented, the METRO AG Group employed on average **64,835** people, translated into full-timers, meaning that the proportion of staff employed abroad came to **36.1 percent** (up from 32.4 percent). The largest workforce abroad is still in Poland, where the Group as a major employer with 13,360 staff (FTE) once more increased its payroll, this time by 20.9 percent (down from 28.8 percent). Owing to expansion, the proportion of part-timers, which is lower abroad, fell from 47.8 percent to **45.4 percent**.

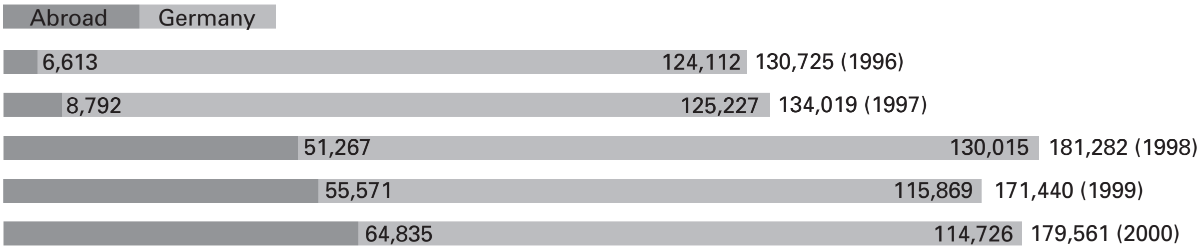
Within the Group, the average length of service with the employer was 7.8 years (up from 7.5), the average age 37.2 years (up from 36.8). In the event of reduced staff requirements owing to operational restructuring or the closedown of outlets, interested employees were, as in previous years, found other jobs within the Group through the "**internal labor office**."

People and work—pay policy

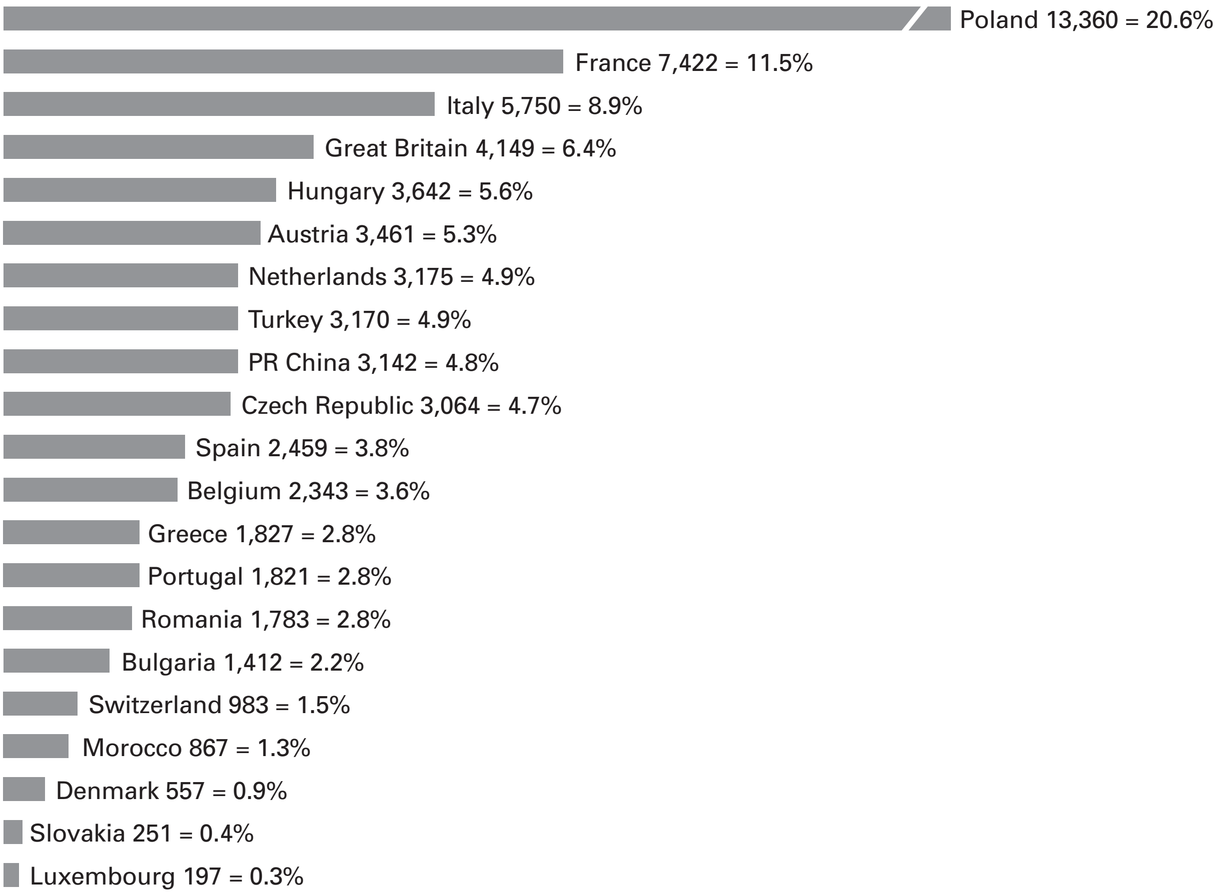
During the period, two major factors were added to the basic framework that has defined wage policy in the German trade to date: the emergence of employer association structures in the retail trade which make it possible to join an association even without the obligation to pay in line with a collective wage agreement and of further employer associations which are for the first time competing for the right to set rates. In addition, the Federal Government, employer associations and trade unions within the **Alliance for Jobs** reached agreements on the formation of wage policy which were observed in all the main sectors of the German economy. The aim is for collective wage agreements to be concluded for a longer period and for the scope for distribution—taking industry-specific factors into account—to be defined by progress with productivity, with settlements promoting employment while facilitating the development of pension plan models for employees.

With a rise of **2.8 percent**, collectively agreed old-age provision and a term of two years, the **pay settlement** in wholesale and foreign trade was relatively high but otherwise in line with the requirements of the Alliance for Jobs. In the retail trade, the unions were not prepared however to enter into a longer-term commitment. At **2.5 percent**, the pay deals, each concluded for 12 months, were lower but notwithstanding efforts to boost the appeal of retail trade occupations too high to safeguard let alone promote employment. Nonetheless, agreement was reached on **negotiated old-age provision**, thus laying the foundations for innovations in social policy.

Employees in a five-year comparison
(annual average FTE)



Employees outside of Germany
64,835 on a annual average (FTE)



As early as 1996/97, METRO AG developed pension plan models which have now—following the chemical industry—been incorporated into the collective wage agreement in the retail trade, too.

Recently developed **preretirement part-time working models** offer the outlet chains fresh scope for improving the age structure of their workforces and improving their staffing patterns while helping to ease the situation in a labor market characterized by high unemployment. The offer to facilitate the transition to retirement for older employees of the postwar generation under socially acceptable conditions opens up new employment options which are intended to improve the job opportunities of young people and/or the skilled unemployed and to safeguard existing jobs. This concern is underpinned by collective wage agreements in which the initial conditions for preretirement part-time work are laid down. During the period, many individual contracts on these special part-time working options were concluded groupwide. This has set in motion a rejuvenation process, especially in companies with a graying workforce, which is also being accepted by those affected.

Social partnership—employee representation in the Group

The inaugural meeting of the **Group works council** was held in Magdeburg on May 25, 2000. This voluntary body made up of all the general works councils of the subgroups deals with matters which concern the METRO AG Group or several Group companies and cannot be settled by individual general works councils within their companies.

For example, the Group works council supports the pension plan models developed within the Group. It is gaining another area of responsibility through the expansion of the **Metro Kaufhof company health insurance fund** to the other outlet chains, with the need to raise employee awareness of the favorable contribution rate (currently 12.9 percent), well below the rates of rival schemes in some cases. The employee representatives who are active groupwide will also follow the activities of the internal labor office and can support take-up of the **insurance service**, drawing the attention of all employees to its favorable terms.

The **Euro Forum**, a Europe-wide information and consultative body made up of employee representatives and Executive Board members, met for the second time in December 2000. The main topics dealt with were e-business activities in the Group, human resources development, and the varying forms of employee/employer relations in Europe.

How we see ourselves vs. how we are seen by others—only openness brings progress

In the form of interviews with hundred fifty executives from all outlet chains—more than half of them from abroad—an assessment of management, organizational development and awareness of Group strategy was conducted for the first time in 2000.

At the same time, an intensive **360° feedback** process was launched in METRO AG, led by the Executive Board, the aim being to enable both managerial staff and employees to find out the effect of their behavior on others. This makes it possible to consider and where necessary adjust one's own assessment. At seminar events, all those involved were trained to give structured feedback for one-on-one interviews.

In a second step a confidential survey of managers and employees on topics which they had defined in advance as important showed detailed feedback for each individual involved in the process, while coaching and workshops support further implementation.

These activities aim at developing a **Metro culture** in which openness with one another in cooperation between all levels is natural and communication is not just from the top down. Systematic feedback processes are essential in optimizing the leadership attitude of each individual and the organization as a whole.

Executive development—same selection and advancement criteria with Metro management planning

Filling **executive positions** is one of the key decisions facing any company. This selection process should meet the highest quality requirements while being transparent and comprehensible. It is a measure of the commitment to Metro's core capabilities. Alongside outstanding specialized knowledge and clear orientation toward performance and results, executives are expected to demonstrate powers of persuasion and integration as well as a feel for employee needs.

Leadership requires **support through tools**. They not only create security and structure but are also essential to permeability and relative benchmarking within the Group. This now includes executive and **target agreement interviews** at least once a year as well as regular potential and performance assessment.

In addition to systematic **succession planning** for the top management levels of the divisions, groupwide assessment centers have been agreed with all the outlet chains, the aim being to detect and examine potential early on. In their selection decisions all those involved commit themselves to the peer review principle and to transparent criteria embracing all outlet chains.

Partners in learning—moving toward the Metro Corporate University

Corporate universities interlink further training and development programs with the respective business strategy by integrating efforts to upgrade executive skills and promote their advancement while focusing on corporate goals.

METRO AG offers a clearly structured range of **advancement and development programs** for various roles and positions in the Group. It is closely coordinated with selection processes such as the assessment centers and succession planning. All programs are geared to international participation, with the events held—with a few exceptions—in the corporate language English. The ranges of programs combine varying training methods such as project work and lectures with work on case studies and collective learning or individual coaching. The common factor in all these programs is the Executive Board's great involvement, including the time it devotes to them.

Corporate universities are based for the most part on long-term partnerships between companies and selected business schools, which contribute external expertise.

The Group's top programs—the **Metro Academy** for developing managerial potential, and the **Metro management sponsoring group program**, a one-year advancement scheme for young executives—were supplemented by the corporate seminar and the young talent program in 2000.

During a total six **corporate seminars** newly appointed second-tier managers were familiarized with the Group's strategy as well as its systems and control elements. Workshops on leadership attitudes, managing change and intercultural skills supplement the intensive five-day program.

The **young talent program** is targeted at the growing number of young higher education graduates in the Group who lack specific retail/wholesale trade experience and an overall view of the Group. The three modules—Strategy and the Supply Chain, Customer Care, and Operations—have been specially developed for METRO AG in cooperation with the "Wissenschaftliche Hochschule für Unternehmensführung" Otto Beisheim University and incompany experts.

A management skills-upgrading scheme for executives at all outlet chains was launched in **Turkey** in cooperation with Bosporus University. Thanks to a modular approach, course components can be offered individually and integrated into purposeful advancement programs for all employees.

The **Metro online campus** has now become an established part of employee development. The campus allows project groups to communicate in virtual space online and work together. It is being used in the Group with growing success and is planned as a module in a group-wide "House of Knowledge."

Vocational training at high level

Whereas companies in Germany expanded the overall number of apprenticeship vacancies by 4 percent, the METRO AG Group made an above-average contribution to combating young unemployment by increasing skilled training by **7.4 percent**. Having recruited **3,406** apprentices, the Group employed **8,236** young people as **vocational trainees** in 2000. Although the Group took on apprentices well above its own requirements, **73 percent** of trainees who gained their qualifications were kept on as permanent staff. The fact that this training is conducted at a high qualitative, not just quantitative, level is demonstrated by the **95.5 percent** of apprentices who passed their examinations.

As part of the "Apprentices showing commitment to the community" initiative, aimed at promoting the image of vocational training in wholesale/retail jobs, 26 trainees from all outlet chains supported the ASB-Auslandshilfe St. Petersburg charity. The money raised from a Christmas market they organized in Hamburg was further boosted by a substantial donation from METRO AG and went to help St. Petersburg's street children.

Metro Edukacja project in Polish schools

In September 2000, METRO AG launched the **Metro Vocational Education in Poland** project at three schools in Lodz, Poznan and Czestochowa. Through this initiative the Group conveys practical knowledge to the young people, preparing them for tasks in large stores. In each of the schools involved, teachers together with internal and external experts have completely revised the previous curricula, adapting them to the changed conditions. Practical training forms a central part of the project. The **Real, Praktiker, Media-Markt** and **C&C** outlet chains make available the necessary placements in their stores. The plan is to carry out this project in all the towns where METRO AG operates outlets so that by the year 2005 it will cover thirty outlets with over one thousand students from vocational schools. The objective is to give young people purposeful training in one of the Group's largest foreign markets and to offer them job opportunities in the modern retail/wholesale trade.

Incentive pay for managerial and executive staff

In listed companies, **stock option plans** (SOPs) and **stock appreciation rights** (SARs) have become components of achievement-oriented remuneration schemes for executives. To this end, the METRO AG stockholders' meeting of July 6, 1999, resolved to **conditionally raise the capital stock**. Eligible staff are tier 1 and 2 executives, viz.

- METRO AG's Executive Board members (group 1),
- management board members of the non-listed outlet chains and of the major service companies (group 2), as well as
- tier 2 staff members of both METRO AG and the group 2 companies; management board members of small service companies; other staff who, due to their responsibilities and achievements, make an outstanding contribution to the Group's performance (group 3).

The first tranche was issued in 1999. In 2000, a total 131 executives were granted **427,480 stock options** from the second tranche. Another 265 executives received SARs, which do not entitle the holders to subscribe for new stock and were therefore assigned outside the contingent capital. Accordingly, the 1999 and 2000 tranches break down as follows:

	Stock options		Stock appreciation rights	
1999	Persons	Options	Persons	SARs
Group 1	5	94,200	–	–
Group 2	9	45,330	28	156,280
Group 3	119	212,030	257	423,410
Total	133	351,560	285	579,690

	Stock options		Stock appreciation rights	
1999	Persons	Options	Persons	SARs
Group 1	6	123,360	–	–
Group 2	10	59,465	33	228,830
Group 3	115	244,655	232	475,810
Total	131	427,480	265	704,640

The strike price for acquiring common stock from the second tranche is **€44.14**. The options, limited to about one year, can only be exercised after a **3-year qualifying period**. Stock options may not be exercised unless, after expiration of the qualifying period, the stock price during the last twenty successive public trading days prior to option exercise is **30 percent or more** above the stock price quoted at the time the stock options were granted, i.e. amounts to a minimum of **€57.38**.

The stock option **exercise period** for the 2000 tranche will commence at the end of the first Frankfurt banking day after METRO AG's annual stockholders' meeting in 2003 and expire eight weeks after the annual stockholders' meeting in 2004.

Liquidity, interest rate and currency management

Financial risks are **centrally** managed at Group level by Corporate Finance.

Liquidity (or cash) management aims to provide sufficient liquid funds and to eliminate or reduce unforeseen financial eventualities (financing and investment risks) for the METRO AG Group. The perpetual Group finance planning ensures that even suddenly changed fund requirements for planned business are met.

At year-end 2000, the Group had confirmed **bank credit facilities** of €4.1 billion at its disposal, including €2.2 billion with a remaining term of one year or less. For short-term refinancing, moreover, the Group uses a new **euro commercial paper (CP) program** of €3 billion, whose utilization averaged €649 million in 2000.

Fiscal 2000 saw the arrangement of a **debt issuance program (DIP)** for €3 billion, another financing tool for the Group to tap international capital markets. This DIP permits bonds with a maximum term of 30 years to be floated in any currency, under either German or English law.

Since March 2000, an essential prerequisite to the METRO AG Group succeeding in obtaining corporate finance from capital markets has been satisfied when the two foremost **credit rating** agencies awarded the following rankings:

- Moody's (long-term Baa1 / short-term P-2)
- Standard & Poor's (long-term BBB+ / short-term A-2)

An important key to access international bond markets is communication with the Group's present and prospective investors and, therefore, a Creditor Relations team has been set up within Finance to provide lenders and investors with comprehensive information.

Interest rate and currency risks are managed within the scope of treasury guidelines which demand that risks be principally contained. The Group's interest rate and currency management is handled by METRO AG on behalf of all Group companies and is confined to reducing basic risks.

With a view to **hedging** against interest rate and currency risks and exposures, METRO AG uses derivative financial instruments. The underlying transactions are valued including the derivatives. Currency management encompasses the hedging of receivables and/or payables of Group companies denominated in any non-local currency and ensuing from operational business, real estate, or financial transactions (such as foreign-currency funding). In this context, all elements form one separate unit and are hedged as a function of the overall risk position. Derivatives contracting is strictly **confined to prime banks** as counterparts for which, moreover, specific **transaction ceilings** are stipulated on a case-by-case basis.

In conformity with the minimum standards set on trading, contracting and settlement are **segregated**.

Business risks and risk management

As part of its international activities in various areas of retailing and wholesaling, the METRO AG Group is exposed to a number of risks typical of such business. Handling these risks is an integral part of entrepreneurial activity. The risk management system created for that purpose is based on the Group's strategy, which is committed to **sustained value enhancement**. The resulting business policy comprises the purposeful examination of entrepreneurial risks insofar as the associated rewards or returns are likely to raise shareholder value steadily. Risk management is thus an inseparable part of business processes and decisions at all Group levels.

Following adoption by METRO AG's Executive Board, the principles of risk management are implemented by the respective management teams concerned in their organizational areas and spheres of responsibility. The structure and philosophy of the Company—a diversified trading group with a management holding company, divisions and service companies—are tailored to this risk policy. Group risk management is based on the principle that under **central and process-unrelated supervision** risks can generally be handled most effectively at the points where they arise. **Each individual business unit is responsible** for this **independently**. This management includes detecting, assessing, communicating and absorbing such risks. If the risks spill over into other areas of the Group, they are brought to the attention of the relevant point of contact swiftly and sufficiently.

METRO AG has a number of service companies and functions which provide their know-how to the Group in its entirety. These have the advantage of deliberately **bundling** some of the risks and risk management functions **at one central point within the Group** because the required know-how and tools are available only at this point.

Risks which cannot be assigned to core or support processes are principally not incurred. Risks which concern the core processes of wholesaling and retailing are the **responsibility of the operating units** themselves. Where appropriate, risks resulting from support processes relating to the respective business, such as logistics, monetary transactions, data processing, real-estate management, are reduced or **passed on to third parties**.

Risks are measured, monitored and controlled using a large number of **management and control systems** in day-to-day business. This involves among other things a uniform corporate strategy and planning process, Group reporting and extensive and regular contacts between the business units and the respective parent. On this basis the Executive Board followed by the Supervisory Board are informed about significant risks at an early stage.

Internal Auditing regularly checks the **workability and efficiency** of the risk management systems and in doing so is supported by external auditors.

The risk monitoring organization has a structure which is **as decentralized as possible** without adversely affecting its process independence.

The main risk areas relevant to the Group are:

Business risks

National and international activities in wholesaling and retailing are marked by fierce competition. This applies to what is offered, implementing the required concepts and systems, and service quality. Additional risks owing to possible market and growth slumps result primarily from increased involvement in newly industrialized countries and from the operations' direct or indirect dependency on private consumption.

In order to protect market and competitive strength the **outlet concepts** are constantly revised and improved, with the focus in 2000 on the Real, Praktiker and Extra outlet chains, based on a consistent benchmarking process which is geared to national and international competitors. This generates a retail brand strategy which lays down the measures to be taken by each outlet chain. Owing to the complexity of the task and the always uncertain outcome regarding customer acceptance the attendant conversion work is fundamentally a risky undertaking. In order to restrict these risks the concepts are **piloted in test outlets**, with clearly structured project organizations facilitating the implementation of new concepts in line with outlet chain requirements. The new formats then realized are constantly monitored and adjusted in a **fine-tuning process**.

With a view to safeguarding the Group's competitive strength the **portfolio** is subjected to ongoing examination. The inherent risks of portfolio changes with regard to integrating systems, branch networks, and especially employees, place high demands on the management. A defined and comprehensive approach to this type of process helps contain the risks.

Operational risks

Brick–and–mortar activities have lead to the operating of wholesale and retail outlets in 22 countries at present with the corresponding complexity in terms of organization, systems technology and often logistics. Given disruptions to the value chain the Group is exposed to the risk of interruptions of business. In order to counter these risks, comprehensive **guidelines** have been drawn up on the work flows of the individual outlet chains and far-reaching **management and supervisory systems** put in place for each business unit.

Supplier risks

In supplying its goods and services, the Group as a trading organization relies very heavily on outside sources. This inclusion of third parties requires that influence be exerted on quality, delivery dates and even costs. The aim is to abate the ensuing risks through **purchasing policies** tailored to the type of business and coupled with intensive **observation** of market conditions and **cooperation** with suppliers.

Currency risks

The accelerated internationalization of the METRO AG Group has spread investment and operations beyond Germany's borders. Unlike industry, an internationalizing trading group operates primarily in the country concerned, meaning that buying and selling as well as essential cost items are transacted in the **local currency** and therefore without currency risks.

Potential risks therefore arise only with the initial investment as well as possible cost components in hard currency, e.g. rentals, suretyships, bonds, and guaranties. Any significant potential risks are **covered** centrally using **derivative financial instruments** groupwide. The same applies to the purchase of goods, especially in US dollars. Fluctuations in currency exchange rates can, however, adversely affect the financial result.

Interest rate risks

Interest rate risks arise through fluctuations in interest rates and their impact on debt carrying interest at variable rates. These interest rate risks can be lessened by setting and constantly monitoring an **interest rate and maturity curve for borrowings** without sacrificing any significant opportunities. These factors can have only a limited effect on the financial result.

Compared with the size of its business, the Group is exposed to credit risks only to a **small** degree. Insofar as credit sales are conducted through the acceptance of credit cards, the risks lie with third parties. Risks from the other cashless means of payment depend on the specific procedure (EC cash, factoring, online direct debiting, debit cards).

Personnel risks

There is strong competition for skilled and managerial staff in all the markets in which the Group operates. In newly industrialized countries, moreover, a shortage of qualified employees is felt at all Group levels.

The implementation of the METRO AG Group's strategy depends significantly on meeting the present and future need for skilled and managerial staff, especially for continuing the internationalization drive and operating the respective outlet chains according to plan, and keeping these employees within the Company long term. To ensure this the outlet chains have drawn up specific **initial and advanced training programs** for their various business models in order to safeguard the required skills in the respective positions and countries.

With regard to **managerial staff**, HR development schemes, consisting of programs to integrate new employees, promote talent, and provide continuing training for managers in conjunction with value-oriented and motivating pay systems, are being run groupwide.

In all, an analysis of the present risk status does **currently not reveal** any risks that might now or in future **jeopardize the Company's survival** or continued existence as a going concern.


real
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Introduction of the euro as of January 1, 2002

The European heads of state and government decided in May 1998 to implement monetary union with eleven participating countries initially: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. The **exchange rates** to the euro of the national currencies participating in the process were set **irrevocably** by the Ecofin Council as of **January 1, 1999**. In June 2000, the EU heads of state and government agreed to Greece's admission to the European Economic and Monetary Union as of January 1, 2001. METRO AG is represented in ten of the now twelve countries, Finland and Ireland being the exceptions.

The common currency changed European capital markets swiftly and lastingly. The segmented national financial markets have been replaced by a single European financial market which in terms of size, liquidity and transparency has reached a new dimension and makes access to investment alternatives easier for private and institutional investors. The euro currency is expanding companies' financing opportunities, which used to be regionally restricted, with capital now being raised and invested Europe-wide. **Competition** on the financial market, between financial centers as well as among banks and insurance companies, has risen substantially, placing new demands on leading companies with regard to their positioning in the capital market.

When European Economic and Monetary Union was launched, the **listings** of stocks traded on German exchanges were converted into euro. Since the adoption of legislation permitting no-par shares of stocks, these can now also be traded in Germany. METRO AG introduced **no-par stock** back in 1998. Such shares quantify the ownership interest held in the respective company.

For the METRO AG Group, European EMU means more than the switchover to a new currency with consequent **changes to operations**. The Group's long-term strategy is also affected, meaning changes in market conditions, shifts in competitive strength and new situations in procurement markets. The crucial change in competitive conditions, and especially the advance of European and international suppliers into the German market coupled with increasing price and market transparency, will open up new and **improved procurement opportunities** for METRO AG. For instance, Metro-Gruppen-Einkauf (MGE) has negotiated European terms with internationally oriented consumer goods manufacturers. MGE bundles the food and nonfood purchasing volumes groupwide in Europe, thus strengthening market position through cross-border assortment and private-label optimization.

Until the introduction of **euro coins and bills at January 1, 2002**, EMU is in a transition phase, during which consumers will gradually warm to the new currency. Trading companies are playing an important part in this process. METRO AG together with its outlet chains has signed up to a “voluntary pledge by the German retail trade to consumers in connection with the introduction of the euro,” which involves handling the euro's launch as transparently as possible.

The outlet chains of METRO AG regard **dual-price tags** in DM and € as a marketing tool during the transition phase and started to introduce this dual pricing for their product ranges in accordance with the statutory conversion and rounding rules back in 1999. This means **price transparency** for customers and helps them to get used to the new currency. By displaying clear and comprehensible prices and adopting dual-price tags at an early stage the Group can gain the confidence of its customers and make them aware of the Group as a modern and consumer-friendly organization.

Since **electronic data processing** is one of the most sensitive areas of the currency conversion owing to its interface function, the outlet chains have developed together with MGI best-cost conversion strategies in compliance with specific corporate conditions. The euro compliance of standard software, inhouse developments, hardware, and the interfaces of the incompany computer systems were examined. All computer systems will be adapted in 2001.

The final phase of EMU begins on January 1, 2002, with the **introduction of physical euro cash** as legal tender throughout Euroland. Germany has ruled out the parallel existence of two legal tenders with the 3rd Euro Introduction Act. DM bills and coins will lose their status as legal tender at the end of 2001 in favor of the euro and cent. This will largely eliminate the major burden which the retail/wholesale trade and banks would have faced from two currencies being valid—albeit for a limited period—at the same time. This legal solution is supplemented by the Joint Declaration by the associations of the banking sector, the retail trade, comparable service providers and the vending machine industry of October 1998. This agreed “modified cutoff date” for the introduction of physical euro cash allows restricted use of DM bills and coins until **February 28, 2002**. The associations involved undertake to exert influence on their member companies so that DM bills and coins are accepted by the retail trade and banks and can be used in vending machines for a transition period of two months. After that period, it will only be possible to change DM bills and coins into euro at regional central bank branches for an unlimited period.

Individual practical plans relating to transportation, storage, security and handling at POS have been drawn up for implementing the currency project within the METRO AG Group. The divisions are thus prepared for the introduction of euro cash as of January 1, 2002, and will ensure a smooth switchover process.

Even before the onset of European EMU, the outlet chain employees were taught about general euro issues and especially the currency conversion so that they would be able to deal competently with customer queries relating to the euro. Employees will receive more intensive instruction at further training events in the Group companies before euro cash is introduced on January 1, 2002. **Security and competence** in handling the new currency and a receptive attitude to the euro will be conveyed to customers based on favorable experience.

METRO AG will not be converting its "**corporate currency**" (worldwide accounting and internal reporting system) to the euro until after euro cash has physically been circulated, whereas the annual report for the year 2000 is already drawn up in euro.

Environmental protection

In late summer, METRO AG published its Environmental Report 2000, which was automatically sent out to a large number of addressees. A copy of the report can still be requested by any interested party.

Significant subsequent events

On March 7, 2001, the Regional Court of Cologne dismissed the actions for avoidance brought by four METRO AG common stockholders against the resolution adopted by the annual stockholders' meeting to convert preferred into common stock. This judgment has not yet become res judicata.

No other events occurred after the close of the fiscal year which might have a material impact on the assessment of the net assets, financial position or results of operations of METRO AG or the Group.

Outlook

For fiscal 2001, METRO AG does not expect any major change in consumer demand either.

Looking forward to a **sales increase** of about 7 percent within the Group, METRO AG will follow its traditional growth path since the superior **marketing concepts** in combination with an ongoing **portfolio** review advocate this course. The main risk that might thwart this aim is a poorer-than-expected business trend in Germany and abroad.

The growth forecast is supported by intensified **internationalization** efforts, chiefly by the Cash & Carry and Consumer Electronics Centers outlet chains.

Capital expenditures of around €2 billion have been budgeted to achieve these goals.

METRO AG thus continues its path of profitable growth.

METRO AG Group
Consolidated financial statements 2000

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METRO AG Group
Consolidated income statement for the fiscal year ended December 31, 2000

€ million	Note no.	2000	1999
Net sales	1	**46,930**	43,833
Cost of sales		**(36,765)**	(34,546)
Gross profit on sales		**10,165**	9,287
Other operating income	2	**1,959**	2,175
Selling expenses		**(9,689)**	(9,324)
General administrative expenses		**(1,068)**	(828)
Goodwill amortization	3	**(248)**	(219)
Other operating expenses	4	**(94)**	(91)
Operating result (EBIT)		**1,025**	1,000
Net investment income	5	**85**	55
Net interest result	6	**(374)**	(375)
Other financial result	7	**18**	1
Net financial result		**(271)**	(319)
Earnings before taxes (EBT)		**754**	681
Income taxes	8	**(331)**	(376)
Net income		**423**	305
Minority interests	9	**(64)**	(71)
Transfer (to)/from the reserves retained from earnings		**(25)**	102
Group net earnings		**334**	336
Earnings per share (EpS, in €)	10	**1.10**	0.72

METRO AG Group
Consolidated balance sheet
as of December 31, 2000

Assets

€ million	Note no.	Balance at 12-31-2000	Balance at 12-31-1999
Fixed assets	15		
Goodwill	16	**4,091**	4,246
Other intangible assets	17	**125**	97
Tangible assets	18	**6,393**	6,267
Financial assets	19	**308**	484
		10,917	11,094
Current assets			
Inventories	20	**5,257**	4,862
Trade receivables	21	**438**	593
All other receivables and sundry assets	22	**3,347**	3,489
Cash & cash equivalents	23	**1,295**	1,263
		10,337	10,207
Deferred tax assets	24	**1,000**	1,013
Prepaid expenses & deferred charges	25	**79**	88
		22,333	22,402

Equity & liabilities

€ million	Note no.	Balance at 12-31-2000	Balance at 12-31-1999
Equity	26		
Capital stock		**835**	835
Additional paid-in capital		**2,558**	2,322
Reserves retained from earnings		**337**	339
Group net earnings		**334**	336
Minority interests		**82**	190
		4,146	4,022
Accruals			
Accruals for pensions and similar commitments	27	**1,042**	1,037
All other accruals	28	**683**	679
		1,725	1,716
Liabilities	29		
Financial debts	30	**5,763**	6,421
Trade payables	31	**8,176**	7,461
All other liabilities	32	**1,958**	2,211
		15,897	16,093
Deferred tax liabilities	24	**205**	178
Deferred income	33	**360**	393
		22,333	22,402

Consolidated statement of cash flows

€ million	2000	1999
Gross profit (net sales less cost of sales)	**10,176**	9,265
Change in merchandise-related receivables and prepayments received	**155**	(287)
Increase in inventories	**(362)**	(402)
Increase in merchandise-related payables	**714**	916
Change in net working capital from goods sold	**507**	227
Gross operating cash flow	**10,683**	9,492
Selling expenses (excl. amortization/depreciation)	**(8,904)**	(8,464)
Administrative expenses (excl. amortization/depreciation)	**(994)**	(763)
Other operating expenses and income, net	**1,839**	2,195
Adjustments for		
net gain/loss from fixed-asset disposal	**21**	(27)
increase/(decrease) in pension and other accruals	**(40)**	104
other items	**(321)**	73
Taxes paid in fiscal year	**(512)**	(381)
Cash flow from operating activities	**1,772**	2,229
M&A transactions	**(140)**	(654)
Expenditure for tangible assets	**(1,330)**	(1,517)
Expenditure for other fixed assets	**(339)**	(542)
Decrease in non-interest liabilities from investing activities	**(1)**	(4)
Disposal/transfer of shareholdings	**1,317**	(47)
Fixed-asset disposal	**773**	558
Decrease in receivables from divestments	**0**	61
Cash flow from investing activities	**280**	(2,145)
Profit distributed to		
METRO AG stockholders	**(336)**	(335)
other stockholders	**(91)**	(136)
Capital increases	**235**	0
(Decrease)/Increase in minority interests in capital and reserves	**70**	(110)
Incurrence of financial debts	**834**	875
Redemption/repayment of financial debts	**(1,575)**	(472)
Interest paid	**(615)**	(311)
Interest received	**169**	97
P&L transfers and other financing activities	**(677)**	(181)
Cash flow from financing activities	**(1,986)**	(573)
Total cash flows	**66**	(489)
Exchange rate effects on cash & cash equivalents	**(7)**	(3)
Overall change in cash & cash equivalents	**59**	(492)
Cash & cash equivalents at January 1	**1,162**	1,654
Cash & cash equivalents at December 31	**1,221**	1,162

Statement of changes in equity

€ million	Capital stock	Additional paid-in capital	Reserves retained from earnings	Net earnings	Minority interests	Total
Balance at 1-1-1999	835	2,322	428	335	529	4,449
Net equity over cost of shares acquired					(281)	(281)
Net income			(102)	336	71	305
Cash dividend/other				(335)	(136)	(471)
Other			13		7	20
Balance at 12-31-1999/1-1-2000	835	2,322	339	336	190	4,022
Transfer from conversion of preferred stock		236				236
Net equity over cost of shares acquired					(81)	(81)
Net income			25	334	64	423
Cash dividend				(336)	(91)	(427)
Other			(27)			(27)
Balance at 12-31-2000	**835**	**2,558**	**337**	**334**	**82**	**4,146**

Notes (Group)

Comments on group accounting principles and methods

Accounting principles

For the first time, METRO AG's consolidated financial statements were prepared in accordance with the rules of the International Accounting Standards Committee (IASC), London, UK, and the interpretations of the Standing Interpretations Committee (SIC). The consolidated statements are in conformity with the Group Accounting Directive of the European Union (83/349/EEC). For full equivalence to group accounts prepared in accordance with the German Commercial Code ("HGB"), all disclosures and comments beyond the scope required by the IAS have been duly made.

Since the prerequisites of Art. 292a HGB have been satisfied, the subject IAS-based consolidated financial statements have an exempting effect, as results from the assessment based on German Accounting Standard no. 1 (DRS 1) of Deutscher Standardisierungsrat DRSC eV.

The IAS and SIC Interpretations applied are listed at the end of these comments. Prior-year financial information has been determined on the same basis as for fiscal 2000.

For enhanced perspicuity and transparency, certain income statement and balance sheet items have been subsumed but are detailed separately further down in these Notes. The cost-of-sales format has been used for the income statement.

Unless expressly otherwise stated, all amounts are indicated in million euros (€ million). To this end, first all local financial statements were translated from the national currency into DM. The consolidated statements were then translated at the final official rate of €1.00 = DM 1.95583.

Effects and method of transition to IAS

The first-time application of IASC rules conformed with SIC-8 (First-Time Application of IASs as the Primary Basis of Accounting), the changeover to IAS hence being retrospective. This Interpretation requires that the accounting principles be adjusted or restated for the first-time application of IAS retroactively as if the IAS had always underlain accounting. The resultant adjustments as of January 1, 1999, were not recognized in income but only within equity, to the debit or credit of the reserves retained from earnings.

The transition to IAS changed equity as of January 1, 1999, versus the closing balance according to the Commercial Code at December 31, 1998, as follows (in € million):

HGB-based equity at December 31, 1998	4,133
Changes from accounting and valuation differences:	
goodwill	218
change in realty valuation	(301)
deferred taxes	892
difference of straight-line vs. declining-balance amortization/depreciation	228
capital leases	(387)
remeasurement of pension accruals	(217)
Other changes	(117)
IAS-based equity at January 1, 1999	4,449

The change from HGB accounting principles to IAS produced the following significant differences:

- Capital consolidation is effected by offsetting the investment book values against the prorated equity, restated according to IAS, of consolidated subsidiaries. Effective date of initial consolidation is the date of acquisition of a subsidiary. If shares in a company are acquired under a capital increase against contribution in kind and provided that the current market value of such noncash contribution exceeds the issue price of the shares issued, German GAAP offer the option of issuing the shares either at par or at a fixed higher price. IAS 22 (Business Combinations) requires, when determining the cost of acquisition of shares in a corporate entity if the purchase consideration given by the acquirer consists of marketable securities, that such securities be principally measured at their market price (fair value) as of acquisition date.

- In the HGB-based consolidated balance sheet, disclosed hidden reserves from capital consolidation were allocated to the Group's assets. In the IAS consolidated accounts, the disclosed hidden reserves were assigned to the outlet chain within which they had been created.

- Assets and liabilities from future income tax reliefs and burdens require to be recognized according to the balance sheet liability method of IAS 12 (Income Taxes) by applying tax rates relevant to any future dividend distribution; another requirement is the obligatory recognition of deferred tax assets that arise from the offset of tax loss carryovers against future taxable profits whose realization is reasonably certain.

- Depreciation of personal property had to be changed retroactively from January 1, 1996, from the declining-balance to the straight-line method.

- Leased tangible assets require to be capitalized, and the resulting liabilities recognized, if METRO AG Group companies qualify as beneficial owners of such assets in accordance with the criteria of IAS 17 (Leases).

- The accruals for pensions and similar commitments, previously recognized at their actuarial present value under the terms of Art. 6a German Income Tax Act ("EStG"), are henceforth measured according to the projected unit credit (PUC) method of IAS 19 (Employee Benefits), with due regard to future pay and pension raises; the interest portion included in the annual provision for accrued pension obligations is disclosed within the net financial result.

- The "other changes" line accounts for the effects of sale & leaseback transactions, financial instruments and other accruals.

The transition to IAS impacted on the 1999 income statement as follows (€ million):

Net income according to HGB	365
Changes from accounting and valuation differences:	
reduction in goodwill amortization	89
straight-line/declining-balance amortization/depreciation	30
capital leases	(1)
pension accruals	(25)
expenses for deferred taxes	(131)
Other changes	(22)
Net income according to IAS	305

Consolidation group

Besides METRO AG as parent, the consolidated statements comprise 350 (up from 312) German and 212 (down from 279) foreign subsidiaries in which METRO AG directly or indirectly holds the majority of voting rights.

Not consolidated were 12 subsidiaries (unchanged) whose overall impact on the Group's net assets, financial position and results of operations is of minor significance and whose combined sales revenues account for less than 1 percent of the Group's.

Two non-German associated affiliates were stated at equity.

The group of consolidated companies changed as follows versus 1999:

Number at January 1, 2000	592
Changes in fiscal 2000:	
Companies	
merged into other consolidated subsidiaries	(91)
divested (wholly or in part)	(4)
newly formed	63
acquired (wholly or in part)	8
Other	(5)
Number at December 31, 2000	563

The consolidation group mainly changed as the Cash & Carry and Consumer Electronics Centers outlet chains formed new companies while others merged, primarily within Cash & Carry.

Where of particular significance, the effects of changes in the consolidation group are detailed in the notes to the financial statement lines concerned.

Consolidation principles

For inclusion in the consolidated accounts, the financial statements of German and foreign subsidiaries are prepared according to groupwide uniform accounting methods, as required by IAS 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries).

Where any consolidated subsidiaries do not close their fiscal year at December 31 (as does METRO AG), interim financial statements were formulated for consolidation purposes.

In line with IAS 22 (Business Combinations), the investment book values are for capital consolidation offset against the prorated revalued equity of the subsidiaries as of acquisition date. Any differences remaining after allocating hidden reserves and burdens (net equity under cost) are capitalized as goodwill and amortized to income on a straight-line basis in accordance with their period of economic benefit. Negative differences (net equity over cost) from initial consolidation are recognized on the liabilities side and systematically released.

Investments stated at equity are treated analogously to fully consolidated companies, however, any goodwill being included in the investment book value and the corresponding goodwill amortization in the net investment income. Investees operating as special-purpose share marketing companies are shown at cost as sundry assets within current assets since they will be dissolved once they have sold or marketed their shareholdings and thus terminated their activities. Shares in nonconsolidated Group companies are stated at cost.

Any write-up or write-down of shares in consolidated subsidiaries in the separate financial statements is reversed in consolidation.

Intercompany profits and losses, intragroup transfers, expenses and income, as well as receivables and payables (including accrued liabilities) among consolidated subsidiaries are mutually netted. Unless of minor significance, any intercompany profit or loss in fixed assets or inventories from intragroup transfers is eliminated, too. The option of third-party debt consolidation is exercised wherever the prerequisites are satisfied. In accordance with IAS 12 (Income Taxes), deferred taxes are recognized for consolidation transactions affecting net income.

Currency translation

In the subsidiaries' separate financial statements, transactions in foreign currency are translated at the historical rate when first posted or, if hedged, at the rate so covered. Exchange losses incurred up to the balance sheet date on the valuation of receivables and payables are accounted for; gains and losses from parity changes are recognized in income.

The financial statements of non-German subsidiaries are translated into DM according to the functional-currency concept of IAS 21 (The Effects of Changes in Foreign Exchange Rates). Since all companies included carry on their business as financially, economically and organizationally independent entities, their local currency is also the functional (reporting) currency. Therefore, assets and liabilities are translated at the mean rate as of December 31, while for income statement items, the annual average rate is used.

Differences from the translation of the financial statements of non-German subsidiaries do not affect income and are shown in a separate line under the reserves retained from earnings. In the year of deconsolidation of non-German subsidiaries, such currency translation differences are released to income.

The financial information of subsidiaries based in Turkey or Romania, hence in a hyperinflationary economy, is translated in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies).

Consequently, the expenses and income (including net income or net loss) corresponding to the changed general purchasing power of money are translated at the rate current at December 31. The book values of nonmonetary balance sheet lines of such subsidiaries are adjusted to the price changes in the fiscal year, prior to translation at the mean rate current at the balance sheet date on the basis of suitable inflation indices. The purchasing power gains or losses resulting from the reduction in book values are recognized in interest income or expense, as appropriate.

The exchange rates listed below underlie the translation of those currencies outside European Economic and Monetary Union (EMU) which are of major significance to the METRO AG Group:

	Average rate €		Closing rate €	
	2000	1999	**2000**	1999
1 US dollar	**1.08207**	0.93816	**1.07469**	0.99542
1 pound sterling	**1.64046**	1.51774	**1.60231**	1.60849
100 Greek drachmas	**0.29710**	0.30699	**0.29347**	0.30276
100 Polish zloty	**24.94410**	23.65917	**25.97538**	24.04598
1,000 Romanian lei	**0.05021**	0.06124	**0.04146**	0.05455
100 Swiss francs	**64.17065**	62.48687	**65.65126**	62.30141
1 Bulgarian lev	**0.51129**	0.51199	**0.51129**	0.51129
100 Chinese yuan (renminbi)	**13.07248**	11.33697	**12.98344**	12.04430
100 Danish kroner	**13.41592**	13.44893	**13.39926**	13.43490
100 Hong Kong dollar	**13.88299**	12.08715	**13.79263**	12.79754
100 Moroccan dirham	**10.19889**	9.57801	**10.13121**	9.87775
100 Slovak korunas	**2.34813**	2.26595	**2.27583**	2.35527
100 Czech korunas	**2.80853**	2.71174	**2.85331**	2.76985
1,000,000 Turkish lira	**1.74073**	2.23119	**1.60330**	1.83606
100 Hungarian forint	**0.38461**	0.39558	**0.37736**	0.39262

IAS and SIC Interpretations used by the METRO AG Group

METRO AG's consolidated statements are based on all IAS rules and SIC Interpretations approved and issued by December 31, 2000, which includes Standards that have not yet become effective at December 31, 2000, but whose earlier application is encouraged by the IASC, with the exception of IAS 39 (Financial Instruments).

In detail, METRO AG applied the following IAS and SIC Interpretations for its consolidated accounts:

Standards

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 4	Depreciation Accounting
IAS 7	Cash Flow Statements
IAS 8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
IAS 10	Events After the Balance Sheet Date
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosures of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 22	Business Combinations
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 25	Accounting for Investments
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries
IAS 28	Accounting for Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets

SIC Interpretations

SIC-1	Consistency–Different Cost Formulas for Inventories
SIC-2	Consistency–Capitalisation of Borrowing Costs
SIC-6	Costs of Modifying Existing Software
SIC-7	Introduction of the Euro
SIC-8	First-Time Application of IASs as the Primary Basis of Accounting
SIC-14	Property, Plant and Equipment–Compensation for the Impairment or Loss of Items
SIC-15	Operating Leases–Incentives
SIC-18	Consistency–Alternative Methods

Comments on the income statement

(1) Net sales

Breakdown of net sales:

€ million	**2000**	1999
Cash & Carry	**21,032**	19,473
Food Retail	**11,087**	10,912
Hypermarkets	**8,166**	7,972
Food Stores	**2,921**	2,940
Nonfood Specialty	**10,198**	8,652
Consumer Electronics Centers	**7,619**	6,144
Home Improvement Centers [1]	**2,579**	2,508
Department Stores	**3,941**	4,001
Others [2]	**672**	795
	46,930	43,833

[1] Initially consolidated as of 1-1-2000 were 27 Top home improvement centers which had been managed since 1-1-1999 by the Praktiker Group under a business management agreement.

[2] The sales shown by Others substantially include the revenues of the Gemex Group at €345 million (up from €305 million), the Dinea Group at €199 million (down from €207 million), and MGE Warenhandelsgesellschaft mbH & Co KG at €106 million (down from €112 million).

Net sales climbed €3.1 billion from the 1999 level to €46.9 billion.

€19.8 billion (up from €17.2 billion) of total net sales was generated by Group companies based outside of Germany.

For a breakdown of net sales by divisions and geographical markets (regions), see the segment report.

(2) Other operating income

€ million	2000	1999
Rents	**478**	511
Advertising services	**335**	344
Synergies	**100**	50
Building/construction work	**99**	138
Central A/P clearing for outlet chains	**86**	77
Release of accruals	**60**	52
General services	**77**	121
Supplier fees	**68**	82
Disposal of real estate	**56**	142
Commissions	**37**	43
Cost refunds	**36**	27
Parking spaces leased out	**28**	26
Foreign exchange gains	**22**	29
Sale & leaseback transactions	**19**	18
Damages and indemnities	**19**	13
Gains from the disposal of other fixed assets and from write-up	**9**	30
Sundry	**430**	472
	1,959	2,175

The income from the release of accruals covers many individual items from numerous companies, the accruals released mainly providing for deferred maintenance, litigation risks, payroll, and invoices not yet received.

(3) Goodwill amortization

€ million	2000	1999
Amortization of goodwill from capital consolidation	**228**	210
Amortization of goodwill from separate financial statements	**20**	9
	248	219

Goodwill from the acquisition of consolidated subsidiaries is amortized on a straight-line basis over a range of 15 to 25 years, depending on the acquisition's strategic importance and further factors impacting on the period of benefit.

Amortization of additions during the year is charged pro rata temporis.

The write-down charged in 2000 and included herein came to €11 million (up from €0 million).

(4) Other operating expenses

The other operating expenses chiefly include foreign-exchange losses from operations of €21 million (down from €25 million) and losses on fixed-asset disposal of €25 million (virtually unchanged).

(5) Net investment income

Net investment income was considerably influenced by higher income from real estate and includes a prorated net loss from associated affiliates of €1 million (down from €2 million).

(6) Net interest result

Breakdown:

€ million	**2000**	1999
Other interest and similar income	**195**	139
thereof from nonconsolidated Group companies	[–]	[–]
Interest and similar expenses	**(515)**	(467)
thereof to nonconsolidated Group companies	[–]	[–]
Interest portion of the annual provision for pensions and similar commitments	**(54)**	(47)
	(374)	(375)

As required by IAS 17 (Leases), assets leased under capital leases are recognized within tangible assets. The interest portion of rents under capital leases is included in interest expense and amounted to €162 million (down from €163 million).

(7) Other financial result

€ million	**2000**	1999
Other financial income	**366**	472
Other financial expenses	**(348)**	(471)
	18	1

The other financial income/expenses basically reflect the gains and losses from interest rate hedging, securities and currency transactions.

This caption additionally accounts for €29 million (up from €13 million) of net purchasing power gains realized when the financial statements of foreign subsidiaries based in hyperinflationary economies were indexed due to the changed purchasing power parities in such countries.

(8) Income taxes

This line mirrors the income taxes paid or owed in the various countries, plus the deferred taxes. The trade income of German METRO AG Group companies is taxed at an average 17 percent approximately, this municipal trade tax being deductible for corporate income tax purposes. Retained and distributed earnings are subject to corporate income tax at the rate of 40 and 30 percent, respectively, plus 5.5 percent solidarity surtax thereon.

Deferred taxes are determined at the various national rates expected to apply upon realization. These rates are principally based on the legislation current or enacted at the balance sheet date. In accordance with the German Tax Reduction Act enacted in July 2000, deferred taxes in Germany are based on a rate of 39.15 percent (down from 45.00 percent).

Non-German income tax calculation is based on the respective current national legislation. The rates applied to foreign companies vary between 13.00 and 43.05 percent.

€ million	**2000**	1999
Taxes paid or owed	**303**	245
thereof in Germany	**[144]**	[85]
thereof abroad	**[159]**	[160]
Deferred taxes	**28**	131
	331	376

The taxes paid or owed include €15 million of tax expenses relating to other periods (up from €9 million).

The current tax expense of €332 million (down from €376 million) is €37 million (down from €70 million) above the expected income tax expense of €295 million (down from €306 million) which would result if the German income tax rate were applied to the Group's taxable income (EBT).

Reconciliation of expected to actual income tax expense:

€ million	**2000**	1999
Group EBT	**754**	681
Expected income tax expense (at 39.15%, down from 45.00%)	**295**	306
Change in applicable Group tax rate	**121**	–
Effects of differing national tax rates	**(54)**	(65)
Amortization of goodwill from capital consolidation	**60**	65
Write-down of consolidated subsidiaries	**(147)**	(6)
Nonperiod tax expenses and income	**15**	9
Nondeductible business expenses	**31**	32
Other differences	**10**	35
	331	376

(9) Minority interests

Minority interests break down into profit shares of €85 million (down from €92 million) and loss shares of €21 million (virtually unchanged) and mainly represent P&L shares of holders of minority stakes in Cash & Carry and Consumer Electronics Centers companies.

(10) Earnings per share

EpS is determined by dividing the number of shares issued into the Group net income after minority interests. A diluting effect such as from so-called potential shares (stock options) did not occur, whether in 2000 or the year before.

	2000	1999
Weighted number of no-par shares issued	**326,787,524**	326,787,495
Group net income after minority interests (€ million)	**359**	234
Earnings per share (€)	**1.10**	0.72

(11) Amortization/depreciation/write-down

€ million	2000	1999
Depreciation of tangible and amortization of intangible assets	**1,106**	1,000
Write-down of tangible and intangible assets	**39**	23
Write-down of financial assets	**13**	15
	1,158	1,038

(12) Cost of materials

The cost of sales includes the following cost of materials:

€ million	2000	1999
Cost of raw materials, supplies, and goods purchased	**36,451**	33,925
Cost of services purchased	**124**	104
	36,575	34,029

(13) Personnel expenses

Breakdown:

€ million	2000	1999
Wages and salaries	**4,365**	4,050
Social security taxes, expenses for pensions and related employee benefits	**916**	982
thereof pension expense	**[36]**	[48]
	5,281	5,032

Back in 1999, a stock option plan (SOP) was introduced as a long-term incentive pay component. In the year under review, 1,132,120 stock options and stock appreciation rights (SARs) were granted to 396 executives (including Executive Board members) of the METRO AG Group. In this context, METRO AG contracted a hedge in the form of a call option. The hedging expenses amount to €18 per share to guarantee a subscription price of €44.14 for one Metro share to be available at October 26, 2004, and are prorated on a straight-line basis over the option life. The hedging expenses for fiscal 2000 are included at €4 million in the payroll.

Annual average workforce of the Group:

Number of employees	2000	1999
white-collar	**165,732**	159,401
blue-collar	**59,483**	57,056
Apprentices/vocational trainees	**9,136**	8,808
	234,351	225,265

The figures include 102,333 part-timers per capita (down from 103,433). The share of persons (FTE) employed outside of Germany rose from 32.4 percent the year before to 36.1 percent in 2000.

(14) Other taxes

These non-income taxes (mainly capital taxes) of €57 million (up from €37 million) are included in the cost of sales and the selling and administrative expenses.

Comments on the balance sheet

(15) Fixed assets

€ million	Goodwill	Other intangible assets	Tangible assets	Financial assets	Total fixed assets
Cost					
Balance at 1-1-2000	5,102	258	10,046	510	15,916
Currency adjustment	–	1	51	–	52
Change in consolidation group	0	1	(189)	11	(177)
Additions	97	73	1,547	168	1,885
Disposals	(10)	(15)	(765)	(342)	(1,132)
Book transfers	–	–	1	–	1
Balance at 12-31-2000	5,189	318	10,691	347	16,545
Amortization/depreciation/write-down					
Balance at 1-1-2000	856	161	3,779	26	4,822
Currency adjustment	–	4	1	–	5
Change in consolidation group	(1)	1	(22)	–	(22)
Additions	248	35	862	13	1,158
Disposals	(5)	(8)	(318)	–	(331)
Write-up	–	–	(4)	(1)	(5)
Book transfers	–	–	–	1	1
Balance at 12-31-2000	1,098	193	4,298	39	5,628
Book value at 12-31-2000	**4,091**	**125**	**6,393**	**308**	**10,917**
Book value at 12-31-1999	4,246	97	6,267	484	11,094

(16) Goodwill

In line with IAS 22 (Business Combinations), goodwill from capital consolidation is capitalized and amortized over a period of benefit of 15 to 20 years. The amortization range of goodwill resulting from the acquisition of Cash & Carry and Swiss service companies is 25 years. This 25-year range is justified by the successful concept, fundamentally unchanged for decades. With a share in total sales of 45 percent, C&C business remains an essential part of the Group.

The goodwill amortization range is determined with primary regard to each acquisition's strategic importance to the Group and to its synergy potential. Goodwill values are reviewed at regular intervals and written down according to any impairment found.

Out of the total goodwill of €4,091 million (down from €4,246 million) at December 31, 2000, €3,949 million (down from €4,163 million) refers to differences from capital consolidation, another €142 million (up from €83 million) being goodwill taken over from the separate financial statements of subsidiaries.

The additions to goodwill from capital consolidation basically comprise €5 million from the acquisition of the remaining shares in Kaufhof Warenhaus AG and €4 million from the purchase of shares in Praktiker Group companies. For details of goodwill movement in 2000, see Note (15).

(17) Other intangible assets

Analysis of other intangible assets for the year under review:

€ million	Concessions, franchises, industrial-property and similar rights and assets, as well as licenses thereto	Prepayments made	Total
Cost			
Balance at 1-1-2000	253	5	258
Currency adjustment	1	–	1
Change in consolidation group	1	–	1
Additions	61	12	73
Disposals	(14)	(1)	(15)
Book transfers	3	(3)	–
Balance at 12-31-2000	305	13	318
Amortization/write-down			
Balance at 1-1-2000	161	–	161
Currency adjustment	4	–	4
Change in consolidation group	1	–	1
Additions	35	–	35
Disposals	(8)	–	(8)
Write-up	–	–	–
Book transfers	–	–	–
Balance at 12-31-2000	193	–	193
Book value at 12-31-2000	**112**	**13**	**125**
Book value at 12-31-1999	92	5	97

Purchased intangible assets are recognized at purchase cost. Internally made or created intangibles are capitalized at production cost if the recognition criteria of IAS 38 (Intangible Assets) are satisfied and if such intangibles are externally marketable. Within the METRO AG Group, this exclusively applies to internally created software.

Besides direct costs, the production cost of software created in-house covers reasonable overhead rates. Financing costs are not recognized. Capitalized, internally developed software is amortized by straight-line charges in analogy to purchased software over a useful life of 3 to 5 years, licenses over the underlying agreement terms.

Intangible assets are written down as of balance sheet date to the recoverable amount if below amortized cost, and written up if and when the reasons for any prior-period write-down have ceased to exist.

Unchanged versus the year before, intangible assets are not subject to any significant liens or other restrictions of title, ownership or disposal.

(18) Tangible assets

Tangible assets, mostly property, plant and equipment that are used in operations for more than one year, are valued at cost less depreciation for wear and tear. Besides direct costs, the production cost of internally produced tangible assets covers reasonable portions of allocable overheads. Financing costs are not recognized in cost.

Investment allowances received and non-earmarked investment grants are offset against the cost of the qualifying asset. Accrued reinstatement obligations in connection with leasehold improvements are provided for pro rata temporis over the useful life. Capitalized reinstatement costs equal the discounted settlement amount.

Tangible assets whose value appears impaired are written down to the recoverable amount if below depreciated cost, and written up if and when the reasons for any prior-period write-down have ceased to exist.

Tangible assets are depreciated solely on a straight-line basis over the following groupwide uniform useful lives:

Buildings	10 to 50 years
Operating/production equipment	2 to 10 years
Machinery	3 to 8 years
Business and office equipment	3 to 10 years
Store improvements	7 years
Vehicles	5 years

Leasehold improvements are depreciated over the lease term, low-value assets (i.e., at net cost of €409 or less each) are fully written off in the year of their purchase.

In accordance with IAS 17 (Leases), the beneficial ownership of an asset is assigned to the lessee if substantially all the risks and returns incidental to such asset rest with the lessee (capital lease).

Where beneficial ownership is attributable to METRO AG Group companies, leased assets are capitalized as of the date the lease is signed, at the lower of the fair value or present value of the minimum rents. In analogy to purchased comparable tangible assets, leased assets are depreciated over their useful lives or the underlying lease term, whichever is shorter. The liabilities incurred for future rents are duly recognized.

Analysis of tangible assets for the year under review:

€ million	Land and buildings	Production plant and machinery	Other plant, business and office equipment	Prepayments on tangibles, construction in progress	Total
Cost					
Balance at 1-1-2000	6,416	203	3,255	172	10,046
Currency adjustment	31	2	14	4	51
Change in consolidation group	(203)	6	8	–	(189)
Additions	638	39	662	208	1,547
Disposals	(342)	(11)	(289)	(123)	(765)
Book transfers	89	(42)	69	(115)	1
Balance at 12-31-2000	6,629	197	3,719	146	10,691
Depreciation/write-down					
Balance at 1-1-2000	1,741	119	1,907	12	3,779
Currency adjustment	1	(3)	3	–	1
Change in consolidation group	(31)	4	5	–	(22)
Additions	314	27	521	–	862
Disposals	(69)	(8)	(241)	–	(318)
Write-up	(4)	–	–	–	(4)
Book transfers	–	(26)	26	–	–
Balance at 12-31-2000	1,952	113	2,221	12	4,298
Book value at 12-31-2000	**4,677**	**84**	**1,498**	**134**	**6,393**
Book value at 12-31-1999	4,675	84	1,348	160	6,267

Fixed assets leased and available to the Group under capital leases are included in the capitalized tangible assets at €1,800 million (down from €2,044 million) and mainly refer to buildings.

Capital leases are as a rule signed for an uncancelable initial term of 15 to 25 years after whose expiration an option exists to renew the lease at least once for another 5-year term.

Apart from capital leases, a plethora of other leases exist within the METRO AG Group that according to their economic tenor qualify as operating leases, under which leased assets are attributable to the lessor.

Obligations under capital and operating leases fall due in future periods as follows:

€ million	within 1 year	>1 up to 5 years	after 5 years
Capital leases			
Future rents payable	241	379	2,610
Discount	1,024		
Present value	2,206		
Rents under subleases	1,148		
Operating leases			
Future rents payable	878	3,271	6,387
Rents under subleases	1,220		

In the year under review, write-down was charged at €29 million (up from €23 million).

The use of tangible assets valued at €83 million (down from €103 million) is restricted by land charges, similar encumbrances and the assignment as security.

Purchasing commitments of €44 million (down from €65 million) were incurred for tangible assets.

(19) Financial assets

Financial assets qualify as such if held by the company for more than one period for capital appreciation, increase in capital employed or the establishment of business relations.

Financial assets are capitalized at cost, non- or low-interest long-term loans being stated at their present value. Upon first-time recognition, investments are valued at cost and, in subsequent periods, at their fair value. All other financial assets are written down accordingly if impairment is believed to be long-term.

Analysis of financial assets for the year under review:

€ million	Shares in non-consolidated Group companies	Investments	Long-term loans	Other long-term securities	Prepayments on financial assets	Total
Cost						
Balance at 1-1-2000	8	103	394	5	–	510
Currency adjustment	–	–	–	–	–	–
Change in consolidation group	(5)	16	–	–	–	11
Additions	5	49	114	–	–	168
Disposals	(2)	(4)	(336)	–	–	(342)
Book transfers	–	–	–	–	–	–
Balance at 12-31-2000	6	164	172	5	–	347
Write-down						
Balance at 1-1-2000	1	23	2	–	–	26
Currency adjustment	–	–	–	–	–	–
Change in consolidation group	–	–	–	–	–	–
Additions	–	13	–	–	–	13
Disposals	–	–	–	–	–	–
Write-up	–	(1)	–	–	–	(1)
Book transfers	–	–	1	–	–	1
Balance at 12-31-2000	1	35	3	–	–	39
Book value at 12-31-2000	**5**	**129**	**169**	**5**	**–**	**308**
Book value at 12-31-1999	7	80	392	5	–	484

(20) Inventories

€ million	**12-31-2000**	12-31-1999
Merchandise Food	**1,399**	1,964
Merchandise Nonfood	**3,857**	2,897
Finished goods/services, work in process	**1**	1
	5,257	4,862

Merchandise purchased is recognized at cost and valued as of balance sheet date at the lower of cost or net realizable value.

Merchandise has been written down on a case-by-case basis where the inventory book value exceeded the anticipated net value realizable upon sale (NRV). Such net realizable values equal the anticipated revenues from, less any costs incurred up to, the actual sale.

When the reasons for any write-down of merchandise have ceased to exist, merchandise is written up. The inventories existing at balance sheet date have been stated at NRV.

Breakdown of inventories by division:

€ million	12-31-2000	12-31-1999
Cash & Carry	**1,546**	1,506
Food Retail	**887**	969
Hypermarkets	**662**	719
Food Stores	**225**	250
Nonfood Specialty	**1,952**	1,505
Consumer Electronics Centers	**1,277**	972
Home Improvement Centers	**675**	533
Department Stores	**663**	667
Others	**209**	215
	5,257	4,862

(21) Trade receivables

Trade receivables are stated at their nominal value. Where their collectibility appears doubtful, they are stated at the lower recoverable amount. Besides the necessary specific bad-debt allowances, a general allowance for doubtful accounts provides for the standard collection risk. As of balance sheet date, these allowances totaled €5 million (up from €1 million).

€1 million (down from €9 million) of the total trade receivables of €438 million (down from €593 million) has a remaining term above one year.

(22) All other receivables and sundry assets

These items are stated at their nominal values, adequate and sufficient allowances providing for any identified risks.

	12-31-2000		12-31-1999	
€ million	**total**	**thereof remaining term above 1 year**	total	thereof remaining term above 1 year
Due from suppliers	**1,015**	**–**	849	–
Taxes receivable	**777**	**1**	406	–
Sundry assets	**1,555**	**290**	2,234	282
	3,347	**291**	3,489	282

The carrying values of the monetary assets included herein equal their fair market values. Unchanged versus 1999, the disclosed other receivables and sundry assets are not subject to any material restrictions of ownership, title or disposal. Moreover, this balance sheet line accounts for shareholdings destined for sale and transfer. The change in sundry assets also reflects the settlement of a prior-year account receivable from Asset Immobilienbeteiligungen GmbH.

(23) Cash & cash equivalents

€ million	12-31-2000	12-31-1999
Checks and cash on hand	329	154
Cash in bank	892	1,009
Short-term securities and note loans	74	100
	1,295	1,263

The market values of the securities equal their indicated book values.

(24) Deferred taxes

Deferred taxes were determined in accordance with IAS 12 (Income Taxes), which requires that any probable future tax relief and burden be recognized for temporary differences between the group accounting book values and the tax bases of assets and liabilities. Expected tax savings from the utilization of tax loss carryovers considered realizable in the future are capitalized.

Deferred tax assets from deductible temporary differences and from tax loss carryovers in excess of taxable temporary differences are only disclosed to the extent that it is reasonably certain that the company concerned will earn sufficient taxable income to realize the corresponding benefit.

While German loss carryovers can be applied for an indefinite period of time, those existing abroad are frequently subject to expiration under local legislative provisions; these limitations have been duly accounted for in deferred tax measurement.

Potential tax savings of a total €52 million (up from €45 million) were not capitalized since the underlying loss carryovers are unlikely to be utilized.

The deferred taxes recognized refer to the following balance sheet lines:

	12-31-2000		12-31-1999	
€ million	**asset**	**liability**	asset	liability
Intangible assets	**297**	**73**	372	32
Tangible assets	**9**	**738**	4	762
Financial assets	**5**	**56**	1	61
Inventories	**32**	**4**	39	0
Receivables and sundry assets	**8**	**41**	9	158
Pension accruals	**190**	**3**	178	3
Other accruals	**75**	**5**	41	11
Liabilities	**848**	**25**	1,094	30
Loss carryovers	**385**	**0**	271	0
Total from separate financial statements	**1,849**	**945**	2,009	1,057
Deferred taxes from consolidation	**(4)**	**105**	8	125
Offset	**(845)**	**(845)**	(1,004)	(1,004)
Consolidated balance sheet	**1,000**	**205**	1,013	178

Deferred taxes of €12 million were credited to equity (in 1999, €38 million debited).

(25) Prepaid expenses & deferred charges

The loan discount of €1 million (down from €7 million) included in this caption is amortized by systematic charges over the underlying liabilities' term.

(26) Equity

The capital stock and additional paid-in capital refer to METRO AG. The capital stock composition changed versus December 31, 1999, in terms of amount and ratio of common to preferred stock.

On July 9, 1998, Metro International Finance BV (a wholly owned METRO AG subsidiary based in Amsterdam, Netherlands) floated zero coupon convertible bonds guaranteed by METRO AG and totaling DM 1,500 million, entitling their holders to convert the bonds into bearer shares of METRO AG preferred stock (the "DM Convertible Bond Issue").

METRO AG has granted each bondholder the right during the exercise period from July 9, 1999, through June 9, 2013 (both days included), to convert the bonds into shares of METRO AG nonvoting preferred stock. By exercising the conversion right and against presentation of €1,534 = DM 3,000 in convertible bonds on May 15, 2000, a total 34 shares of nonvoting preferred stock were created and issued at the imputed value of €2.56 each, which raised the capital stock by €87. Consequently, the capital stock totaled €835,419,052 at December 31, 2000.

The annual stockholders' meeting and the special meeting of preferred stockholders of METRO AG resolved on July 4, 2000, inter alia, that any or all of the currently existing 23,001,346 shares of nonvoting preferred stock may be converted at a 1-to-1 ratio into bearer shares of voting common stock subject to payment of a conversion premium of €11.60 each. Under this conversion bid, altogether 20,323,380 shares of preferred stock were converted into common stock which is meantime officially traded as “common stock/challenged.” Amount and structure of the capital stock have thus changed as follows:

Class of bearer no-par shares, at €2.56 imputed value each		**12-31-2000**	12-31-1999
Common stock	shares	**324,109,563**	303,786,183
	€ million	**828**	776
Preferred stock	shares	**2,677,966**	23,001,312
	€ million	**7**	59
Total capital stock	shares	**326,787,529**	326,787,495
	€ million	**835**	835

Contingent capital I and II

€87 of the conditional increase in capital stock by €51,129,188 resolved on July 9, 1997, was so far utilized (contingent capital I) and decreased this contingent capital accordingly. This contingent capital increase is connected with the Executive Board’s authority to issue on or before July 9, 2002, warrant and/or convertible bonds for an aggregate maximum of €1,022,583,762 and to grant their holders option/conversion rights for up to 20,000,000 new shares of common and/or preferred METRO AG stock.

The annual stockholders’ meeting of July 6, 1999, resolved to conditionally raise the capital stock by a maximum €14,316,173 by issuing up to 5,600,000 shares of common stock to be provided for METRO AG’s stock option plan (contingent capital II).

The contingent capital II is exclusively used to grant subscription rights (stock options) to METRO AG’s Executive Board members, to Executive and Management Board members of lower-tier Group companies, as well as to further managerial or executive staff of METRO AG and its downstream subsidiaries (unless listed).

Under METRO AG’s stock option plan, stock options were granted on September 3, 1999, and August 18, 2000, of which altogether 779,040 were effective at December 31, 2000. Upon satisfaction of the exercise conditions, such stock options may entail the issuance of up to 779,040 shares of common stock, equivalent to 0.24 percent of the capital stock.

The terms of stock option exercise, which have been stipulated by the Executive Board for METRO AG’s SOP, also include an antidilution clause and, in particular, provide that the Company grant the qualifying SOP beneficiaries in lieu of the delivery of new common stocks, a cash compensation equal to the differential between the strike (exercise) price and the applicable closing quotation of Metro stock prior to option exercise. Whether or not this alternative is used will be decided by the Company in each case when the stock options from the various tranches are exercised.

Authorized capital I

The annual stockholders' meeting of July 9, 1997, authorized the Executive Board, after first obtaining the Supervisory Board's approval, to raise the capital stock by up to €127,822,970 by issuing once or several times on or before July 9, 2002, new common and/or preferred stock in exchange for cash contributions (authorized capital I).

€68,047,501 of the authorized capital I had been utilized in 1998, resulting in a still available balance of up to €59,775,469.

Authorized capital II

The extraordinary stockholders' meeting of September 11, 1997, resolved to create authorized capital II: The Executive Board was authorized, with the Supervisory Board's prior approval, (i) to raise the Company's capital stock by issuing once or several times on or before September 11, 2002, new bearer shares of common stock by an aggregate maximum of €178,952,158 in exchange for noncash contributions (authorized capital II), and (ii) to decide on the exclusion of the stockholders' subscription rights and stipulate all other details of the capital increase.

€134,064,919 of the authorized capital II had been utilized in 1998. The authorized capital II balance then remaining amounted to €44,887,239.

Authorized capital III

The annual stockholders' meeting of July 6, 1999, authorized the Executive Board, with the Supervisory Board's prior approval, to raise the Company's capital stock on or before July 6, 2004, through one or several issues of new bearer shares of common and/or nonvoting preferred stock against contribution in cash by an aggregate total of €100 million (authorized capital III), granting existing stockholders a subscription right.

However, the Executive Board is entitled, with the prior approval of the Supervisory Board, (i) to exclude the stockholders' statutory subscription right to the extent required to grant to the holders of such warrant and convertible bonds as have been issued by METRO AG or its wholly owned indirect or direct subsidiaries, a stock purchase right for new shares to such extent as they would be entitled to after exercise of their option/conversion rights, and (ii) to exclude the subscription right to compensate fractions of shares from rounding.

The Executive Board is further authorized, after first obtaining the Supervisory Board's approval, to exclude the stockholders' subscription right for one or several capital increases made within the scope of authorized capital, provided that the aggregate total par value of such capital increases does not exceed 10 percent of that capital stock which after the first utilization of the authorized capital had been recorded at the Commercial Register and in each case further provided that the issue price of the new shares of stock is not materially below the market price of same-category stock as quoted when the initial offering price of the new issue is finally fixed.

The Executive Board is further authorized, with the Supervisory Board's consent, in the event of capital increases made in the scope of authorized capital, to exclude the common stockholders' right to subscribe for preferred stock and the preferred stockholders' right to subscribe for common stock, provided that in such capital increase shares of common and preferred stock are issued at the same ratio at which the capital stock broke down into these two stock classes at the time when the capital increase was resolved, and further provided that different issue prices of the new shares of common and of preferred stock are fixed in accordance with the stock price ratio which existed at the time when the underlying capital increase had been resolved.

Authorized capital IV

The annual stockholders' meeting of July 6, 1999, further authorized the Executive Board, with the Supervisory Board's prior approval, to raise the Company's capital stock on or before July 6, 2004, through one or several issues of new bearer shares of common stock against contribution in kind by an aggregate total of up to €125 million (authorized capital IV). The Executive Board is authorized with the Supervisory Board's prior approval to decide on the subscription right being excluded and to determine all further details of the capital increase.

No acquisition of treasury stock

On July 4, 2000, the annual stockholders' meeting authorized the Company on or before December 31, 2001, to acquire treasury stock up to an equivalent of ten percent of the capital stock (cf. that meeting's agenda item 7). To date, this authority has not been exercised, whether by METRO AG, or any company controlled or majority-owned by METRO AG, or any other entity on behalf or for the account of METRO AG or any company controlled or majority-owned by METRO AG; cf. Art. 160(1)(2) German Stock Corporation Act ("AktG").

Additional paid-in capital

Out of the premiums of €11.60 per share of preferred stock, earned when preferred was converted into common stock, a total €236 million was transferred to this equity reserve.

Minority interests

The minority interests represent the third-party shares in the equity of consolidated subsidiaries and, at December 31, 2000, amounted to €161 million (down from €372 million). Significant minority interests are held in Media-Saturn-Holding GmbH.

Other mandatory disclosures

Pursuant to Arts. 21(1) and 22(1)(1) and (1)(2) German Securities Trading Act ("WpHG"), the following statements are made:

With effect from December 28, 2000, the original stockholder stirpes of METRO AG restructured their joint controlling stake in METRO AG (56.51 percent) without any change at the economic level, and communicated this restructuring to METRO AG on January 4, 2001. As from that date, Metro Holding AG ceased to own any shares in METRO AG.

Since December 28, 2000, METRO AG has been controlled via Metro Vermögensverwaltung GmbH & Co KG and further enterprises held by its majority stockholders Beisheim, Haniel and Schmidt-Ruthenbeck. The stockholder stirpes have covenanted in an agreement the uniform exercise of their rights from such majority stake in METRO AG.

Status of judicial review proceedings

The share exchange ratios fixed for the 1996 mergers into METRO AG of Asko Deutsche Kaufhaus AG, Deutsche SB-Kauf AG and Kaufhof Holding AG are being reviewed upon application by former stockholders of the three mergee companies in proceedings pending before several courts. The applicants allege that the respective share exchange ratios were understated to their debit. Neither do the status of the judicial proceedings nor the arguments submitted by the applicants give rise to any reason for doubting the correctness of the exchange ratios determined in the merger agreements. The Regional Court of Cologne held in its decision of February 16, 2000, that the petitions by the former outside Kaufhof stockholders for additional cash compensation were unfounded and dismissed the claim. An appeal is pending against this decision. Further proceedings for judicial review are pending before the Regional Courts of Saarbrücken and Frankfurt/Main.

(27) Accruals for pensions and similar commitments

Included in the measurement of provisions for accrued pension and related liabilities are all commitments under company pension plans, pay portions waived in favor of future pension upgrades, early-retirement and preretirement part-time schemes, accumulated termination indemnities, death benefits, and employment anniversary allowances.

Such measurements are based on each country's legislative, economic and fiscal environment. Since these commitments exist almost exclusively within the European Economic Area (EEA), they are provided for on the basis of a long-term capital market rate of 6 percent, a pay raise of 2.5 percent and, for company pension plans, a pension increase of 1.5 percent. The employee turnover rate is determined for each business unit with due regard to age and service years. National mortality tables underlie the actuarial assumptions and calculations.

The majority of obligations in Germany ensue from the company pension plan and comprise defined benefit obligations under employer commitments and claims against employee benevolent funds (pension funds); newly recruited employees are excluded from plan benefits.

€ million	**2000**	1999
Pension accruals (employer's commitments)	**539**	534
Accruals for the deficient cover of employee benevolent funds	**372**	382
Other accruals for pensions and similar commitments	**131**	121
Balance at December 31	**1,042**	1,037

The present value of projected benefit obligations (PBO) and of plan assets changed as follows:

€ million	2000	1999
Present value of PBO		
Balance at January 1	**1,178**	1,164
Interest cost	**65**	65
Service cost	**13**	14
Pension payments	**(70)**	(67)
Actuarial losses	**3**	2
Balance at December 31	**1,189**	1,178
Changes in plan assets		
Balance at January 1	**293**	297
Expected return on plan assets	**11**	18
Pension payments	**(40)**	(38)
Employer contributions incl. vesting balances	**15**	16
Balance at December 31	**279**	293
Funding level		
Balance at December 31	**910**	885
Unrecognized actuarial gains	**1**	31
Accrued at December 31	**911**	916

Pension expenses from direct and indirect company pension plans comprise the service cost (which is included in the cost of sales, selling and general administrative expenses) and the interest cost (stated as part of the net financial result); they break down as follows:

€ million	2000	1999
Interest cost	**65**	65
Service cost	**13**	14
Expected return on plan assets	**(11)**	(18)
	67	61

(28) All other accruals

These provide for any such de jure or de facto obligations to third parties as are based on past transactions or events, result in an outflow of financial resources and are reliably determinable. They are stated at the anticipated settlement amount (best estimate) with due regard to all identifiable risks attaching thereto and not offset against claims to recourse.

Accrued noncurrent liabilities, such as for deficient rental cover or building reinstatement, are stated at their settlement amounts discounted as of balance sheet date.

These accruals developed as follows in the year under review:

€ million	Realty-related obligations	Merchandise-related obligations	Restructuring	Tax risks	Sundry accruals	Total
Balance at 1-1-2000	75	43	99	102	360	679
Annual provision	35	40	–	57	124	256
Release	(8)	(3)	(3)	(3)	(46)	(63)
Utilization	(25)	(24)	(22)	(5)	(113)	(189)
Change in consolidation group	(5)	–	–	–	6	1
Interest portion in provision/ change in interest rate	–	–	–	–	(1)	(1)
Book transfers	(6)	9	(4)	4	(3)	–
Balance at 12-31-2000	**66**	**65**	**70**	**155**	**327**	**683**
thereof due within 1 year	29	65	9	29	164	296

The sundry accruals mainly provide for liabilities for litigation costs/risks, as well as suretyship, guaranty and warranty risks.

(29) Liabilities

€ million	12-31-2000 Total	Remaining term up to 1 year	Remaining term >1–5 years	Remaining term above 5 years	12-31-1999 Total
Bonds	**1,100**	82	164	854	1,121
Due to banks	**1,567**	546	545	476	1,897
Note loans	**651**		29	622	650
Notes payable	**239**	239			275
Capital leases	**2,206**	257	327	1,622	2,478
Financial debts	**5,763**	1,124	1,065	3,574	6,421
Trade payables	**8,176**	8,169	7		7,461
Tax liabilities	**707**	707			608
Prepayments received on orders	**42**	42			43
Payroll	**551**	551			501
Payable under other financial transactions	**218**	218			261
Sundry liabilities	**440**	357	77	6	798
All other liabilities	**1,958**	1,875	77	6	2,211
	15,897	11,168	1,149	3,580	16,093

The bonds with a remaining term above 5 years also include the zero coupon convertible bond issue for €767 million floated in 1998 by Metro International Finance BV and maturing July 9, 2013. According to the prospectus terms and conditions, early redemption is permitted in the period from July 9, 2003, at the bond issuer’s discretion and as of July 9, 2003 and 2008, at the bondholders’ option.

(30) Financial debts

All financial debts are principally recognized at their repayment amounts. The fair values indicated for financial debts have been determined on the basis of the interest rates applicable at balance sheet date for the remaining maturities and redemption structures.

Bonds disclosed:

€ million	Maturing	Issuance volume	Book value 12-31-2000	Fair value 12-31-2000
Metro International Finance BV	after 5 years	767	760	587
Metro Finance BV	within 1 year	76	82	83
	>1 up to 5 years	154	164	164
	after 5 years	94	94	95
		1,091	1,100	929

The bond issue of Metro International Finance BV was floated under the guaranty of METRO AG.

The proceeds from the issuance of the zero coupon convertible bond 1998/2013 were transferred by Metro International Finance BV to METRO AG. In accordance with IAS 32 (Financial Instruments: Disclosure and Presentation), the equity and debt components of the zero coupon convertible bond issue are disclosed separately. The debt portion is stated at amortized cost in the bonds line after adding the period's interest portion as of balance sheet date. No intercompany payables exist.

(31) Trade payables

Trade payables are disclosed at their settlement amounts, which substantially equal their fair market values. As the year before, these liabilities are largely due within one year. No intercompany payables exist.

(32) All other liabilities

These liabilities are stated at their settlement amounts, which substantially equal their fair market values.

The sundry liabilities comprise a multitude of items, such as payables to nongroup stockholders, liabilities under leases and for annual closing costs/fees.

This caption does not include any intercompany payables.

(33) Deferred income

This caption mainly includes prorated book gains from sale & leaseback transactions which are amortized to income over the underlying lease terms and whose total recognized hereunder came at December 31, 2000, to €307 million (down from €325 million); €19 million thereof (virtually unchanged) was released to income in the year under review. In addition, this caption includes deferred income from prepaid rents, loan premiums and other deferrals.

€39 million (down from €52 million) has a remaining term of one year or less.

Comments on the cash flow statement

In accordance with IAS 7 (Cash Flow Statements), the consolidated statement of cash flows describes the changes in 2000 within the Group through cash inflows and outflows.

This statement breaks down the cash flows into those from operating, investing and financing activities. Cash & cash equivalents comprises cash on hand and cash in bank (including checks), but excludes short-term securities and note loans.

As shown in this consolidated statement, the cash flow from operating activities rose by €1.8 billion (down from €2.2 billion). The €0.4 billion decrease in cash inflow contrasts with a gross cash flow from operations which was up €1.2 billion and is mainly attributable to the rise in 2000 in selling and administrative expenses, as well as to a lower net balance of the other operating income and expenses.

The cash flow from investing activities turned around in 2000, from a €2.1 billion cash outflow into a €0.3 billion cash inflow. This net cash inflow in the year under review is the balance of cash used in capital expenditures for tangible assets (at €1.3 billion) and the acquisition of additional stakes in Kaufhof Warenhaus AG and Praktiker Bau- und Heimwerkermärkte AG. This gross outflow of funds contrasts basically with a cash inflow of €1.2 billion from the payment for the retail trade properties sold the year before to AIB, as well as another €0.8 billion from the disposal of other fixed assets. The difference between the expenditure for tangible assets and the additions shown in the fixed-asset analysis accounts for the noncash additions under capital leases.

The cash flow from financing activities is a net outflow of €2.0 billion in the year under review, mainly due to most of the funds received from the conveyance of the retail properties having been used to redeem financial debts.

Additional comments

(34) Segment reporting

Segment reporting conforms with IAS 14 (Segment Reporting) and, therefore, segmentation is in line with the Group's internal control and reporting systems. For segment details, see the Group Divisions chapter in the management report.

The primary segment report is based on divisions while the secondary report deals with the geographical segments (regions) of Germany, Western Europe excl. Germany, Eastern Europe, and Other Countries.

- External sales equal the sales by the divisions to unrelated parties.

- Internal sales represent the interdivisional transfers.

- EBIT as segment control parameter equals net income for the period before net financial result, extraordinary items and income taxes.

- Segment EBITDA corresponds to EBIT before depreciation (of tangible assets) and amortization (of goodwill and other intangibles).

- The segments' operating assets comprise fixed assets (intangible and tangible assets, shares in associated affiliates) and current assets (excluding cash & cash equivalents). Acquired goodwill is assigned to the divisions.

- Segment liabilities cover non-interest liabilities.

- Segment expenditures refer to the additions to intangible (including acquired goodwill), tangible and financial assets.

- Amortization/depreciation/write-down are related to segment assets.

Primary segments (divisions)

€ million	Cash & Carry 2000	Cash & Carry 1999	Food Retail 2000	Food Retail 1999
Net external sales	**21,032**	19,473	**11,087**	10,912
Net internal sales	**680**	748	**11**	80
Total net sales	**21,712**	20,221	**11,098**	10,992
EBITDA	**890**	794	**307**	274
EBIT	**571**	513	**13**	17
Net financial result	**50**	(17)	**(73)**	(70)
Amortization/depreciation/write-down	**319**	281	**294**	257
goodwill amortization	**[85]**	[86]	**[102]**	[90]
all other	**[234]**	[195]	**[192]**	[167]
Capital expenditures	**577**	458	**413**	458
Operating assets	**8,528**	7,798	**3,964**	4,087
Non-interest liabilities	**4,267**	3,988	**1,561**	1,932
Annual average headcount (FTE)	**61,711**	56,090	**50,445**	50,880
Selling space (1,000 m²)	**2,972**	2,787	**2,834**	2,850
Permanent establishments (branches) [1]	**353**	322	**774**	791

[1] Multibranch location counting differs from method used in 1999 annual segment report; cf. "Portfolio of branches worldwide"

Secondary segments (regions)

€ million	Germany 2000	Germany 1999
Net external sales	**27,141**	26,647
Net internal sales	**4,519**	4,566
Net total sales	**31,660**	31,213
EBITDA	**1,398**	1,483
EBIT	**624**	780
Net financial result	**150**	(57)
Amortization/depreciation/write-down	**774**	703
goodwill amortization	**[151]**	[122]
all other	**[623]**	[581]
Capital expenditures	**1,115**	1,334
Operating assets	**12,588**	13,240
Non-interest liabilities	**6,811**	6,724
Annual average headcount (FTE)	**114,726**	115,869
Selling space (1,000 m²)	**6,995**	6,825
Permanent establishments (branches) [1]	**1,726**	1,716

[1] Multibranch location counting differs from method used in 1999 annual segment report; cf. "Portfolio of branches worldwide"

	Nonfood Specialty		Department Stores		E-Business		Others/ consolidation		Group	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
	10,198	8,652	**3,941**	4,001	**0**		**672**	795	**46,930**	43,833
	82	61	**79**	11			**(852)**	(900)	**0**	0
	10,280	8,713	**4,020**	4,012	**0**		**(180)**	(105)	**46,930**	43,833
	427	399	**324**	294	**4**		**231**	277	**2,183**	2,038
	237	249	**181**	164	**(6)**		**29**	57	**1,025**	1,000
	(14)	(2)	**(48)**	(44)	**(10)**		**(176)**	(186)	**(271)**	(319)
	190	150	**143**	130	**10**		**202**	220	**1,158**	1,038
	[43]	[27]	**[0]**	[0]	**[0]**		**[18]**	[16]	**[248]**	[219]
	[147]	[123]	**[143]**	[130]	**[10]**		**[184]**	[204]	**[910]**	[819]
	367	529	**167**	208	**32**		**329**	249	**1,885**	1,902
	4,277	3,716	**1,370**	1,448	**22**		**624**	1,997	**18,785**	19,046
	3,196	2,557	**1,014**	987	**6**		**1,328**	479	**11,372**	9,943
	35,593	31,521	**21,840**	22,425	**9**		**9,963**	10,524	**179,561**	171,440
	2,751	2,428	**1,319**	1,299			**101**	106	**9,977**	9,470
	665	595	**132**	130			**245**	260	**2,169**	2,098

	Western Europe excl. Germany		Eastern Europe		Other countries		Consolidation		Group	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
	13,098	11,976	**5,827**	4,494	**864**	716			**46,930**	43,833
	347	395	**13**	18	**563**	554	**(5,442)**	(5,533)	**0**	0
	13,445	12,371	**5,840**	4,512	**1,427**	1,270	**(5,442)**	(5,533)	**46,930**	43,833
	914	523	**128**	61	**18**	19	**(275)**	(48)	**2,183**	2,038
	657	290	**16**	(20)	**3**	7	**(275)**	(57)	**1,025**	1,000
	234	0	**3**	20	**(5)**	(3)	**(653)**	(279)	**(271)**	(319)
	257	233	**112**	81	**15**	12	**0**	9	**1,158**	1,038
	[75]	[75]	**[19]**	[19]	**[1]**	[1]	**[2]**	[2]	**[248]**	[219]
	[182]	[158]	**[93]**	[62]	**[14]**	[11]	**[2]**	[7]	**[910]**	[819]
	387	269	**333**	267	**50**	32			**1,885**	1,902
	6,861	6,308	**1,973**	1,640	**365**	300	**(3,002)**	(2,442)	**18,785**	19,046
	3,507	3,697	**1,192**	932	**219**	225	**(357)**	(1,635)	**11,372**	9,943
	32,317	31,975	**28,509**	20,250	**4,009**	3,346			**179,561**	171,440
	1,814	1,735	**1,051**	817	**117**	93			**9,977**	9,470
	287	264	**143**	108	**13**	10			**2,169**	2,098

(35) Reporting on financial instruments

Accounting for and reporting on the METRO AG Group's financial instruments conform with IAS 32 (Financial Instruments: Disclosure and Presentation) and cover monetary assets and liabilities, duly distinguishing between primary and derivative financial instruments.

Risk management and controlling

The METRO AG Group has taken the portfolio approach to financial risk management, which identifies, measures and controls the risks.

The risk positions result from the groupwide posted and budgeted cash inflows and outflows whose market risks (interest rate, exchange rate and purchasing power risks) are managed in order to contain financial risks by using financial derivatives. The success of risk management is regularly matched against appropriate benchmarks.

Corporate standard policies and guidelines specify the binding objectives, principles, duties and responsibilities within Finance. In particular, financial measures are translated into practice while adhering to the principle of the segregation of Financial Management and Financial Controlling functions. Financial Controlling is responsible for measuring any existing market risks.

Financial instruments

A financial instrument is any contract that gives rise to both a monetary asset and a monetary liability or equity instrument. Financial instruments may be either primary or derivative.

Primary financial instruments are shown on the face of the balance sheet and their accounting and valuation methods are detailed in the notes to the various items.

Financial derivatives are disclosed within "receivables and sundry assets" and "liabilities" as follows:

Derivative transactions of METRO AG which do not cover or hedge any internal business are recognized at their fair values.

Gains and losses from derivative financial transactions conducted to hedge variable interest payments of METRO AG's primary external business are recognized in equity only, at their fair values.

The accounting for financial derivatives which relate to a cover or hedge of an underlying transaction of a subsidiary is taken over from such subsidiary.

The fair values stated equal the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in a transaction at arm's length.

For valuation, principally the mean closing rates at balance sheet date are used.

Risk-reducing derivatives used as of balance sheet date:

€ million	Notional volume (net positions)	Fair value Monetary assets	Fair value Monetary liabilities
Interest rate transactions			
OTC products:			
Interest rate swaps	1,418	15	20
Caps/collars/floors	33	1	2
	1,451	16	22
Currency transactions			
OTC products:			
Forwards	131	6	24
Interest rate/currency swaps	181	3	20
	312	9	44
	1,763	25	66

The notional volume is calculated from the net positions based on the underlying purchase/selling prices.

Interest rate risks

An interest rate risk is the risk that the fair value of an interest-bearing item changes due to the fluctuation of market rates.

€ million	Fair value, due within 1 year	>1 up to 5 years	after 5 years
Financial derivatives:			
Interest rate swaps	–	(6)	1
Caps/floors/collars	–	(1)	–
Currency forwards	(18)	–	–
Interest rate/currency swaps	–	(19)	1
	(18)	(26)	2

The maturity ranges indicate the fair values of monetary assets and liabilities then due.

The interest rate refixing dates for variable rates are all within one year.

Counterparty risk

This designates the risk that a counterparty fails to perform (whether wholly or in part) or that the credit standing of a counterparty deteriorates, thus exposing a party to the risk of losing all or part of the capital and accrued income. The Group's counterparty risk is low since financial transactions are conducted with counterparties of prime standing. Moreover, a limit system spreads this type of risk.

	Counterparty with long-term rating Standard & Poor's/Moody´s		Not rated [1]
	AAA/AAA	AA+ to AA–/ Aa1 to Aa3	
Financial derivatives:			
Interest rate swaps	5	4	20
Caps/floors/collars	–	2	–
Currency forwards	–	12	–
Interest rate/currency swaps	–	5	–
	5	23	20

[1] Refers mainly to business transacted with companies not included in the consolidated accounts.

(36) Contingent liabilities

€ million	**12-31-2000**	12-31-1999
Suretyships and guaranties	**228**	366
Guaranty and warranty contracts	**1,343**	1,004
	1,571	1,370

(37) Other financial obligations

€ million	**12-31-2000**	12-31-1999
Commitments from share tender rights	**125**	194
Purchasing/sourcing commitments	**9**	18
Obligations from financial derivatives	**–**	3
Sundry	**21**	1
	155	216

Regarding the obligations under leases, reference is made to the capital and operating leases specified in Note (18).

(38) Related parties

The METRO AG Group maintained business relations with the following related companies in 2000 and 1999:

	Products/services provided		Products/services received	
€ million	**2000**	1999	**2000**	1999
Product deliveries and similar performance	**0.7**	0.7	**112.7**	110.4

Business relations with related companies are based on contracts, the prices stipulated therein correspond to transactions at arm’s length.

The METRO AG Group does not maintain any business relations with related individuals.

(39) Supervisory and Executive Boards

The fees of Supervisory Board members totaled €1.0 million.

The total emoluments of Executive Board members came to €7.3 million.

The Executive Board members were granted 123,360 options for acquiring Metro stock under the SOP. Earliest option exercise date is one day after the annual stockholders’ meeting in 2003 on condition that the stock price exceeds that price by more than 30 percent which was quoted when the subscription rights were issued.

Former Executive Board members (and their surviving dependants) of METRO AG and companies merged into METRO AG received €10.6 million.

Supervisory Board members

Jan von Haeften
Businessman
as from Aug. 2, 2000
Chairman as from Aug. 8, 2000
(a) Franz Haniel & Cie GmbH
(Supervisory Board Chairman)
(b) Metro Holding AG
(President of the Board of Directors)

Erwin Conradi
up to Aug. 1, 2000
Chairman up to Aug. 1, 2000
Management Board member of
Beisheim Holding GmbH
Management Board member of OBV Vermögensverwaltungs GmbH & Co KG
(a) Allianz Versicherungs-AG (up to Dec. 31, 2000)
FinanzScout24 AG
(Supervisory Board Chairman)
(b) Metro Holding AG (Director)
Adecco SA
Bon appetit
Jetro Holdings Inc
FinanzScout24 AG

Klaus Bruns
Vice-Chairman
Chairman of the group works council of METRO AG
Chairman of the general works council of
Kaufhof Warenhaus AG

Peter Brenner
Regional chairman of the HBV union (the future Ver.di union), District of Lower Saxony/Bremen
(a) DI Deutsche BauBeCon AG
LBS Norddeutsche Landesbausparkasse

(a) Membership in other statutory supervisory boards of German companies

(b) Membership in comparable German or foreign corporate boards of business enterprises (board of directors, advisory board, etc.)

Hans-Dieter Cleven
Management Board member of
Beisheim Holding GmbH
Management Board member of
Metro Vermögensverwaltung GmbH & Co KG
Management Board member of
OBV Vermögensverwaltungs GmbH & Co KG
Executive Board Vice-Chairman of
Metro Holding AG
(a) Debitel AG (Vice-Chairman)
Jamba AG (Chairman)
(b) Metro Holding AG (Director)
Jetro Holdings Inc
Völkl Sports Holding AG
(President of the Board of Directors)
Albergo Giardino SA
(Vice-President of the Board of Directors)
Walter Telemedien Holding GmbH
(Advisory Board Chairman) up to Feb. 1, 2001

Peter Cziglar
as from Aug. 1, 2000
Team head, Real SB-Warenhaus GmbH
(a) Real SB-Warenhaus Holding GmbH
up to Dec. 19, 2000
Real Holding GmbH as from March 14, 2001

Ulrich Dalibor
as from Jan. 1, 2001
Head of the wholesale/retail and private services employees' subunit of the DAG union
(the future Ver.di union)
(a) Metro Grosshandelsgesellschaft mbH

Holger Grape
up to Dec. 31, 2000
Manager Corporate Affairs
Randstad Deutschland GmbH & Co KG
(a) Kaufhof Warenhaus AG up to Dec. 31, 2000

Professor Dr. Erich Greipl
Management Board member of
Metro Vermögensverwaltung GmbH & Co KG
(a) Kaufhof Warenhaus AG
Metro Grosshandelsgesellschaft mbH
Real Holding GmbH as from Feb. 2, 2001
(b) KGG Kredit Garantie-Gemeinschaft Handel
in Bayern GmbH
BBE Unternehmensberatung GmbH

Hanns-Jürgen Hengst
Department head of
Kaufhof Warenhaus AG

Hermann Hesse
Vice-chairman of the general works council
of Kaufhof Warenhaus AG

Cilli Holzer
as from Nov. 12, 2000
Clerk at Kaufhof Warenhaus AG

Dr. Hermann Krämer
Former Executive Board member of
previous Veba AG
(a) Deutsche Bahn AG
up to June 30, 2000
PreussenElektra AG
up to June 30, 2000
Babcock Borsig AG
Balcke Dürr AG (Chairman)
(b) Westdeutsche Landesbank Girozentrale
(Director)

Dr. Karlheinz Marth
Secretary to the central executive committee of the
HBV union (the future Ver.di union)
(a) Kaufhof Warenhaus AG
Extra Verbrauchermärkte GmbH

Dr. Thomas Middelhoff
up to Dec. 31, 2000
Executive Board Chairman of Bertelsmann AG
(a) Gruner + Jahr AG & Co up to Nov. 21, 2000
(b) Vivendi SA

Fritz-Julius Nolden
† Nov. 11, 2000
Department head, H.O. of
Kaufhof Warenhaus AG

Dr.-Ing. E.h. Dipl.-Ing. Bernd Pischetsrieder
Executive Board member of Volkswagenwerk AG
as from July 1, 2000
Executive Board Chairman of Seat SA
as from July 1, 2000
(a) Allianz AG up to Feb. 29, 2000
(b) Dresdner Bank AG Luxembourg SA
Tetra-Laval Group

Hildegard Schäfer
Member of the general works council of
Real Holding GmbH as from Dec. 20, 2000

Professor Dr. Helmut Schlesinger
Retired President of Deutsche Bundesbank

Dr. Manfred Schneider
Executive Board Chairman of Bayer AG
(a) DaimlerChrysler AG
RWE AG
Allianz AG

Hans Peter Schreib
Lawyer
Member of the Board of Deutsche
Schutzvereinigung für Wertpapierbesitz eV
(a) Gildemeister AG
K+S AG

Peter Seuberling
up to July 31, 2000
Chairman of the general works council of
Praktiker Bau- und Heimwerkermärkte AG
(a) Praktiker Bau- und Heimwerkermärkte AG
(Vice-Chairman)

Christian Strenger
as from Jan. 1, 2001
Member and chairman of several German and
foreign corporate boards
(a) BASF Coatings AG
DWS Investment GmbH
Zürich Investmentgesellschaft mbH
MLP Marschollek, Lautenschläger und
Partner AG as from May 28, 2001
(b) The Germany Funds Inc (Chairman)

Dr. Joachim Theye
Lawyer and notary public
(a) Babcock Borsig AG
I-D Media AG
Axel Springer Verlag AG
Gerling-Konzern Globale Rückversicherungs-AG
Gerling-Konzern Rheinische Versicherungs-
gruppe AG (Chairman)
Gerling-Konzern Versicherungs-Beteiligungs AG
Messe Berlin GmbH (Chairman)
(b) Zimmermann & Co Bauunternehmung
(Advisory Board Chairman)
Gerling Security Rückversicherungs-
Gesellschaft SA

Hans-Peter Wolf
Member of the Porz Central Field Warehouse
management of Kaufhof Warenhaus AG

Supervisory Board Committees

Presidential/Staff Committee
Jan von Haeften (Chairman)
Klaus Bruns (Vice-Chairman)
Hermann Hesse
Dr. Manfred Schneider

Annual Accounts Committee
Jan von Haeften (Chairman)
Klaus Bruns (Vice-Chairman)
Hans-Dieter Cleven
Ulrich Dalibor as from Feb. 15, 2001
Holger Grape up to Dec. 31, 2000
Professor Dr. Erich Greipl
Dr. Karlheinz Marth

Slate Submittal Committee (under Art. 27 par. 3 MitbestG)
Jan von Haeften (Chairman)
Klaus Bruns (Vice-Chairman)
Hans-Dieter Cleven
Hermann Hesse

Executive Board members

Dr. Hans-Joachim Körber
Spokesman
(a) Kaufhof Warenhaus AG (Chairman)
Real Holding GmbH as from Feb. 2, 2001 (Chairman as from March 27, 2001)
Metro Online AG (Chairman)
(b) Aspiag Italia Srl as from Nov. 8, 2000
Metro International AG (President of the Board of Directors, Feb. 15 to Dec. 31, 2000)
Divaco AG & Co KG
Skandinaviska Enskilda Banken AB

Dr. A. Stefan Kirsten
as from Oct. 1, 2000
(a) Metro Online AG as from Oct. 5, 2000
Real SB-Warenhaus Holding GmbH up to Dec. 19, 2000
Real Holding GmbH as from Feb. 2, 2001
(b) Assevermag AG (President of the Board of Directors) as from Oct. 11, 2000
Metro International AG (President of the Board of Directors) as from Jan. 1, 2001
Metro Capital BV
Metro Euro Finance BV
Metro Finance BV
Metro International Finance BV
Metro MPV AG

Dr. Wolf-Dietrich Loose
up to Sep. 30, 2000
Director of Industrial Relations up to Sep. 30, 2000
(a) Metro Grosshandelsgesellschaft mbH up to Sep. 30, 2000
Real SB-Warenhaus Holding GmbH (Chairman) up to Dec. 19, 2000
Extra Verbrauchermärkte GmbH (Chairman) up to Dec. 6, 2000
Praktiker Bau- und Heimwerkermärkte AG
Kaufhof Warenhaus AG
Dinea Gastronomie GmbH up to Sep. 30, 2000
Metro Online AG up to Sep. 30, 2000
Horten AG as from Oct. 5, 2000 (Chairman as from Dec. 1, 2000)
(b) Assevermag AG (President of the Board of Directors) up to Sep. 30, 2000
Asset Immobilienbeteiligungen GmbH & Co KG as from Feb. 10, 2000 (Chairman of the Partners' Committee as from Nov. 22, 2000)
Metro MPV AG (President of the Board of Directors) up to Sep. 30, 2000

Zygmunt Mierdorf
Director of Industrial Relations as from Oct. 1, 2000
(a) Horten AG (Chairman) up to May 10, 2000
Praktiker Bau- und Heimwerkermärkte AG (Chairman)
Extra Verbrauchermärkte GmbH as from Dec. 6, 2000
Real Holding GmbH as from Feb. 2, 2001
(b) Asset Immobilienbeteiligungen GmbH & Co KG
Metro MPV AG
Praktiker Yapi Marketleri AS
Tertia Handelsbeteiligungs GmbH (Chairman)
Josef Wagner GmbH

Theo de Raad
up to Sep. 30, 2000
(a) Metro Grosshandelsgesellschaft mbH up to Sep. 30, 2000
(b) Aspiag Italia SRL up to Oct. 18, 2000
Metro Holding France SA (President) up to Sep. 30, 2000

Joachim Suhr
(a) Real Holding GmbH as from Feb. 2, 2001
Extra Verbrauchermärkte GmbH (Chairman) as from Dec. 6, 2000
Metro Online AG as from Oct. 5, 2000
(b) Gemex Trading AG (President of the Board of Directors)

Düsseldorf, March 28, 2001

THE EXECUTIVE BOARD

Dr. Körber

Dr. Kirsten Mierdorf Suhr

Report of the Supervisory Board

The general economic setting not only for the German economy has changed fundamentally in recent years, with rapidly increasing interrelationships in the world economy proving crucial. This change implies shorter innovation cycles, more sophisticated products including in the service sector, new distribution channels, advancing internationalization, growing competitive pressure, and concentration on core business, as well as optimized corporate structures and processes to meet the more exacting customer requirements.

Against this background, we, the Supervisory Board, in due accordance with the duties incumbent on us under law and the Company's memorandum & articles of association, regularly oversaw and advised the Executive Board. Six meetings of the Supervisory Board were held in fiscal 2000.

The economic position of the METRO AG Group and its subsidiaries at home and abroad was the subject of in-depth oral and written reports to the Supervisory Board, which discussed in detail the strategic alignment and corporate planning of METRO AG and its outlet chains for fiscal 2001 based on variable parameters and response options. The criterion was the Company's internal condition with regard to operating strength, financial power, efficiency and localized potential for achieving the defined goals.

The Cash & Carry division's expansion into Eastern Europe (including Russia) and Asia was dealt with thoroughly. We were continuously informed by the Executive Board about the integration of the acquired companies into the Food Retail division and the restructuring of the Home Improvement Centers. In the reports to the Supervisory Board the development of e-business activities was given wide coverage.

The monitoring system for risk management, capital allocation within the Group, and the effects of the first-time application of International Accounting Standards (IAS) on the annual accounts and reporting were discussed in detail.

Within the scope of responsible company management which is geared to added value and committed to corporate governance, the Supervisory Board—in conformity with the Code of Best Practice published by the OECD in 1999 and endorsed by the German policy commission on corporate governance—laid down binding rules for itself and the Executive Board in the event of conflicts of interests and for transactions carried out by Board members with themselves.

All important transactions and the trend of financial indicators were discussed in the course of a continuous interchange of information between the Supervisory Board Chairman and the Executive Board members.

The Supervisory Board has three committees, viz. the presidential/staff committee, the annual accounts committee, and the slate submittal committee under the terms of the German Codetermination Act. The presidential/staff committee regularly advised the Executive Board, prepared the decisions incumbent on the Supervisory Board and dealt with the Executive Board's staff-related matters. This committee met three times.

The annual accounts committee, which is responsible for the accounting and auditing of the Company and the Group, met once—together with the presidential/staff committee—and discussed thoroughly in the presence of the statutory auditors METRO AG's and the Group's financial statements. The statutory auditors' reports were analyzed and this analysis reported to the Supervisory Board together with the conclusions to be drawn in terms of corporate performance.

It did not prove necessary to convene the slate submittal committee, which performs the task of proposing candidates to the Supervisory Board if the required two-thirds majority for the appointment and dismissal of Executive Board members is not achieved.

The consolidated accounts were prepared in accordance with the International Accounting Standards (IAS).

The statutory auditors, viz. Duisburg-based Fasselt & Partner Wirtschaftsprüfungsgesellschaft, audited METRO AG's and the Group's annual accounts and management reports and issued their unqualified opinions thereon.

The annual accounts and management reports were submitted to the Supervisory Board members in good time prior to our annual accounts meeting. The statutory auditors' reports on such accounts were also presented to the Supervisory Board members.

The submittals were discussed in depth at the Supervisory Board's annual accounts meeting after being dealt with at a joint meeting of the presidential and annual accounts committees in the presence of the statutory auditors. The Supervisory Board agrees to the audit results and conclusions, which do not include any exceptions or findings.

The Supervisory Board examined and approved the annual accounts of METRO AG and the Group (including the management reports) as submitted by the Executive Board. METRO AG's annual accounts are thus adopted. We concur with the Executive Board's proposal for the appropriation of net earnings.

Mr. Jan von Haeften was appointed by the court a member of the Supervisory Board on August 2, 2000, and at an extraordinary meeting on August 8, 2000, he was elected Chairman of this Board to succeed Mr. Erwin Conradi, who stepped down from that post on August 1, 2000.

We thank Mr. Conradi for his exceedingly effective efforts over a period of more than nineteen years as Supervisory Board Chairman of METRO AG and its predecessor companies. It is thanks to his vision and drive that METRO AG has positioned itself as a successful trading company.

Mr. Peter Seuberling resigned from the Supervisory Board on July 31, 2000. Mr. Peter Cziglar was elected to the Supervisory Board by the employees as alternate member.

Mr. Fritz-Julius Nolden died suddenly and unexpectedly on November 11, 2000. We will treasure his memory. Ms. Cilli Holzer joined the Supervisory Board in his place also as alternate member elected by the employees.

Dr. Thomas Middelhoff resigned from the Supervisory Board as of December 31, 2000, and was succeeded by Mr. Christian Strenger, who was appointed by the court as a member of the Supervisory Board.

Mr. Holger Grape also withdrew from the Supervisory Board as of December 31, 2000, with Mr. Ulrich Dalibor appointed by the court in his stead.

Parallel to the change of leadership in the Supervisory Board, the Executive Board was restructured and streamlined in view of the competitive environment. In this context, Dr. Wolf-Dietrich Loose and Theo de Raad resigned from the Executive Board by amicable agreement as of September 30, 2000. Dr. A. Stefan Kirsten was appointed as full Executive Board member as of October 1, 2000.

The tasks within the Executive Board are performed as follows: Dr. Körber as Executive Board Chairman is responsible for Corporate Development, Legal Affairs, Internal Auditing, Human Resources Development/Executive Staff, Investor Relations, and Corporate Communications; Dr. Kirsten is in charge of Finance, Controlling, Accounting, and Taxes; Mr. Mierdorf is Director of Industrial Relations with additional responsibility for IT and Logistics, and Mr. Suhr heads Purchasing and Advertising.

We thanked the former members of the Supervisory and Executive Boards personally for their services.

The Supervisory Board also thanks the Executive Board, the executive managers of the outlet chains and service companies, the members of the works councils, as well as all employees of METRO AG and its subsidiaries for their dedicated and successful efforts and commitment.

Düsseldorf, April 2001

THE SUPERVISORY BOARD

Jan von Haeften
Chairman

Independent auditor's report and opinion

We audited the consolidated financial statements prepared by METRO AG and consisting of income statement, balance sheet, statement of changes in equity, cash flow statement and the notes thereto, for the fiscal year ended December 31, 2000. The preparation and contents of the consolidated financial statements are the responsibility of METRO AG's Executive Board. Our responsibility is, based on our audit, to express an opinion on whether the consolidated financial statements conform with the International Accounting Standards (IAS).

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and with due regard to generally accepted standards on the audit of financial statements as established by IDW, the Institute of Sworn Public Auditors and Accountants in Germany. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of any material misstatement. An audit includes examining, on a test basis, the evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also involves assessing the accounting and consolidation principles used, and significant estimates made, by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, it is our opinion that the consolidated financial statements, in accordance with the IAS, present a true and fair view of the Group's net assets, financial position and results of operations as well as of its cash flows in the fiscal year under review.

Our audit, which in accordance with German auditing regulations also covered the Group management report as prepared by the Executive Board for the fiscal year ended December 31, 2000, did not result in any objections or exceptions.

It is our opinion that the Group management report presents fairly both the Group's overall position and the risks inherent in its future development. In addition, we confirm that the consolidated financial statements and Group management report for the fiscal year ended December 31, 2000, satisfy the requirements for exempting the Company from preparing consolidated financial statements and a group management report in accordance with German law.

Duisburg, March 30, 2001

FASSELT & PARTNER
Wirtschaftsprüfungsgesellschaft

Dr. P. Schönberger
Wirtschaftsprüfer

Dr. M. Fasselt
Wirtschaftsprüfer

Summary of major subsidiaries

Name	Registered office	% held	LCU	Equity
METRO AG	Düsseldorf		DM 1,000	8,431,496
Cash & Carry				
Metro Cash & Carry GmbH	Düsseldorf	100.00	DM 1,000	4,636,390
Metro Grosshandelsgesellschaft mbH	Düsseldorf	100.00	DM 1,000	72,335
Metro Cash & Carry International Holding GmbH	Düsseldorf	100.00	DM 1,000	6,647,118
Food Retail				
Hypermarkets				
Real Holding GmbH	Alzey	100.00	DM 1,000	724,689
Food Stores				
Extra Verbrauchermärkte GmbH	Sarstedt	100.00	DM 1,000	69,000
Nonfood Specialty				
Consumer Electronics Centers				
Media-Saturn-Holding GmbH	Ingolstadt	73.18	DM 1,000	420,216
Home Improvement Centers				
Praktiker Bau- und Heimwerkermärkte AG	Kirkel	99.59	DM 1,000	738,875
Department Stores				
Kaufhof Warenhaus AG	Cologne	100.00	DM 1,000	330,000
E-Business				
Metro Online AG	Düsseldorf	100.00	DM 1,000	95,006
Others				
Metro MGE Einkauf GmbH	Düsseldorf	100.00	DM 1,000	3,550
Gemex Trading AG	Baar, Switzerland	100.00	Sfr 1,000	34,939
Metro International AG	Baar, Switzerland	99.00	Sfr 1,000	437,334
Dinea Gastronomie GmbH	Cologne	100.00	DM 1,000	16,050
MRE Metro Real Estate Management GmbH	Saarbrücken	100.00	DM 1,000	23,703
Metro MGI Informatik GmbH	Düsseldorf	100.00	DM 1,000	2,859

Codes
Diary

Metro stock

Reuters codes	
Common stock	MEOG.F
Common stock/challenged	MEOGa.F
Preferred stock	MEOG_p.F
Bloomberg codes	
Common stock	MEO GR
Common stock/challenged	MEO2 GR
Preferred stock	MEO3 GR
ISIN codes	
Common stock	DE 000 725 750 3
Common stock/challenged	DE 000 725 752 9
Preferred stock	DE 000 725 753 7
Stock exchanges	Frankfurt*, Düsseldorf*, Xetra*, Geneva, Vienna *official trading

Metro convertible bonds

Reuters code	DE248 600=F
Bloomberg code	ID248600
ISIN	DE 000 248 600 8
Stock exchange	Frankfurt

Investor Relations diary

Annual accounts conference/ analysts' meeting	May 10, 2001
IAS quarterly report Q1/2001	May 10, 2001
Annual stockholders' meeting	June 20, 2001
IAS quarterly report Q2/2001	July 31, 2001
IAS quarterly report Q3/2001	October 31, 2001

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