METRO Group

The Spirit of Commerce

ANNUAL REPORT 2006

Consolidated Financial Statements
of the METRO Group

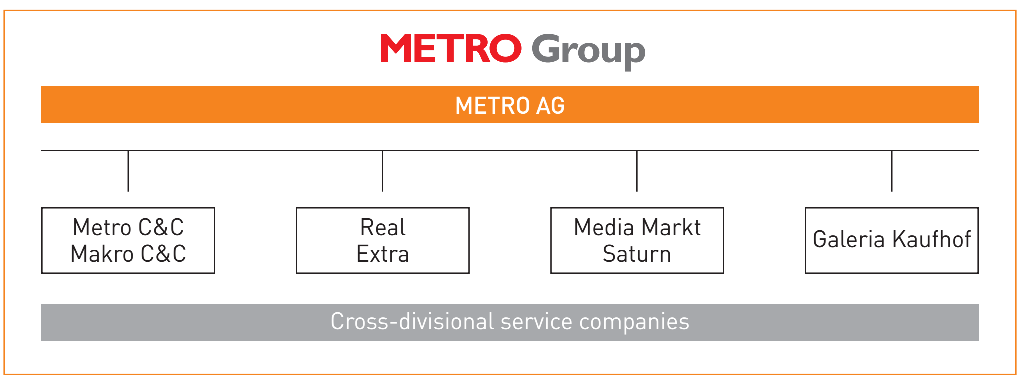
TRADE. CREATE. GROW.

Retail – a key part of life

Retail is one of the economy's most important sectors, greatly contributing to growth and prosperity around the world. The retail industry provides for life's necessities, creates jobs, and brings people and markets together. And, just as important, it breathes life into the multiplicity of diverse cultures and lifestyles with its offered goods – day after day.

The retail shopping world has always reflected the wants and needs of people. As times change, so do consumers' expectations. As a result, retail consistently strives to respond to new trends, to satisfy altered expectations in the best way possible and to develop long-term, partnership-based relationships with customers.

METRO GROUP AND ITS SALES BRANDS AT A GLANCE



Our profile

The METRO Group is one of the world's largest and most international trade and retail companies: around 270,000 employees from 150 nations work at about 2,400 locations in 30 countries in Europe, Africa and Asia. Our portfolio of strong sales brands offers private and commercial customers alike a wide spectrum of goods and services. Metro Cash & Carry, Real, Media Markt and Saturn as well as Galeria Kaufhof hold leading market positions. They prove their skills each and every day.

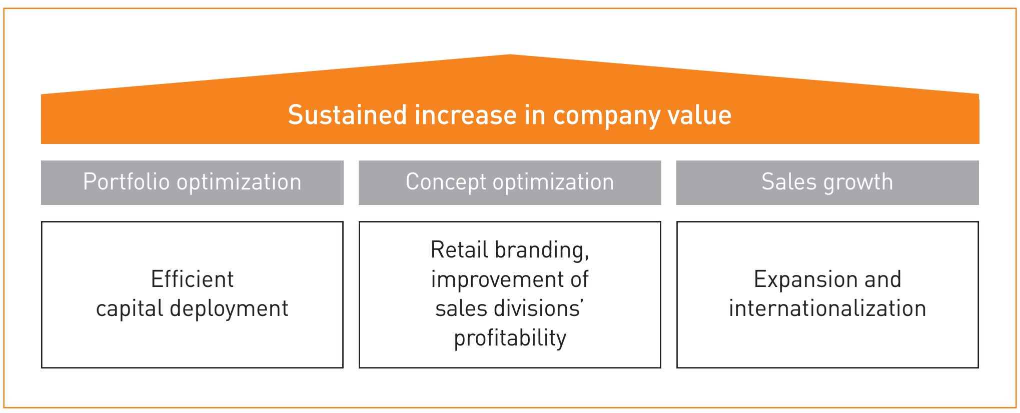
Responsibility to customers, investors and the public shapes our business thinking and actions. The power to innovate is one key to our success. As a forward-looking, performance-driven group of companies, we want to help develop and modernize the retail business – both nationally and internationally – through our innovations.

Antoine+Warosz Europe is the home market of the METRO Group and the starting point for the company's worldwide expansion. The illustrations by Antoine+Manuel in this year's Annual Report reflect the rich and multifaceted character of the region. The two Paris-based artists have been collaborating since 1993 on various product and graphic design projects. Their work is characterized by complexity and richness in detail: flags, plants, animals and architectural elements blend to form a multilayered portrait of Europe – and the viewer is invited to discover the diversity of the continent anew.

Our business strategy

The goal of our business strategy is to increase the company's value over the long term. This strategy's fundamental principles are to continuously increase sales, to steadily optimize the portfolio and to constantly improve sales concepts.

METRO GROUP BUSINESS STRATEGY



Sales growth through internationalization

We achieve consistent sales growth first and foremost by energetically entering foreign markets and extending our international sales network. The growth markets of Eastern Europe and Asia stand at the forefront here. The international share of group sales is already markedly higher than 50 percent. Our international expansion efforts are focused in particular on our high-volume and high-margin retail brands Metro Cash & Carry, Media Markt and Saturn.

Group portfolio aligned with capital market's demands

We revise our group portfolio continuously with a view to profitable long-term developments. In this connection we want to steadily increase our sales brands' profitability and value – this is why we focus our business activities and capital expenditures exclusively on profitable market segments.

Merchandizing concepts continuously adjusted and improved

To succeed in competition, merchandizing concepts must keep up with changing customer expectations. This is why we see continuous concept optimization as an ongoing activity. In addition, we are turning our sales divisions into distinctive retail brands, expanding their market position and achieving long-term customer loyalty for our company.

THE METRO GROUP IN FIGURES[1]

Key financial figures		2006 € million	2005 € million	2004[2] € million
Sales (net)		59,882	55,722	53,475
Metro Cash & Carry		29,907	28,087	26,442
Real		10,378	9,922	10,727
Media Markt and Saturn		15,156	13,306	12,210
Galeria Kaufhof		3,609	3,575	3,768
Other companies		832	832	328
EBITDA		3,233	2,938	2,844
EBIT		1,983	1,738	1,723
Metro Cash & Carry		1,111	1,013	963
Real		45	−12	135
Media Markt and Saturn		587	510	452
Galeria Kaufhof		82	69	57
Other companies/consolidation		158	158	116
Financial result		−449	−380	−463
Earnings before taxes		1,534	1,358	1,260
Net profit for the period[3]		1,193	649	927
thereof from continuing operations		1,050	618	858
thereof allocable to stockholders of METRO AG[3]		1,056	531	828
Investments		3,020	2,138	1,744
Total assets[3]		32,148	28,767	28,352
Equity		6,047	5,313	4,849
Equity ratio	%	18.8	18.5	17.1
Return on equity after taxes	%	19.7	12.2	19.1
Earnings per share[3,4]	€	3.23	1.63	2.53
thereof from continuing operations	€	2.79	1.54	2.32
thereof from discontinued operations	€	0.44	0.09	0.21
Earnings per share from continuing operations before special items[4,5]	€	2.64	2.47	–
Dividend per share of common stock	€	1.12[6]	1.02	1.02
Dividend per share of preferred stock	€	1.232[6]	1.122	1.122
Dividend yield based on closing price for the year	common stock %	2.3[6]	2.5	2.5
	preferred stock %	2.6[6]	2.1	2.2
Market capitalization	€ billion	15.8	13.4	13.3

Operating data	2006	2005	2004[2]
Employees (annual average by headcount)	263,794	246,875	231,841
Number of locations	2,378	2,171	2,110
Selling space (1,000 m²)	11,924	10,518	9,941

[1]Only continuing operations
[2]Adjustment due to the application of new accounting methods
[3]Including discontinued operations
[4]After minority interests
[5]Before write-downs on deferred tax assets from loss carry-forwards for Real Germany in 2005;
in 2006 adjusted for effects from the repositioning of Real including the acquisitions of the Wal-Mart Germany group and the Géant business in Poland
[6]Subject to approval by the annual general meeting

THE MARKETPLACE OF EUROPE





Rooted in Europe and targeted on worldwide growth – the METRO Group is vigorously pressing ahead with its international expansion. The starting point of this success story was and is the European continent. This special section of the 2006 annual report is devoted to Europe.

“I WILL BRIEFLY REPEAT WHAT WE HAD IN MIND WHEN WE CREATED THIS RULE: ECONOMIC AND SOCIAL EUROPE RELIES ON COMPETITION THAT STIMULATES, COOPERATION THAT REINFORCES AND SOLIDARITY THAT UNITES.”

Jacques Delors, French politician and president of the European Commission 1985–1995

“EUROPEAN UNITY WAS A DREAM OF A FEW. IT BECAME A HOPE OF MANY. TODAY, IT IS A NECESSITY FOR US ALL.”

Konrad Adenauer, first chancellor of the Federal Republic of Germany 1949–1963

“WE DON’T ALLY COUNTRIES. WE UNITE PEOPLE.”

Jean Monnet, French politician and the first honorary citizen of Europe

“IF EUROPE WERE ONCE UNITED IN THE SHARING OF ITS COMMON INHERITANCE, THERE WOULD BE NO LIMIT TO THE HAPPINESS, PROSPERITY AND GLORY WHICH ITS 300 MILLION OR 400 MILLION PEOPLE WOULD ENJOY.”

Winston Churchill, British prime minister 1940–1945 and 1951–1955

THE MARKETPLACE OF EUROPE

A vision becomes a reality: since the Treaty of Rome was signed 50 years ago, Europe has been growing together. Today, we live in a modern alliance of countries that share values and a rich cultural heritage. the continent's political and social melding is a success story that is unparalleled in history – but it is more than that, too: the world's largest economic area has been created between Málaga and Malmö, Milan and Manchester. One factor in particular has been fueling the economic development: private consumers. Nearly 60 percent of the EU's gross domestic product go into private consumption. This is the reason for the strength of European retailing companies.

The METRO Group is both historically and strategically rooted in Europe. With locations in 26 countries between the Atlantic coast and the Caucasus, it is the "most European" of all retailing companies. The group generates the lion's share of its sales in the region and employs about 250,000 people there. The potential of European markets has not been fully tapped yet: in 2006, the METRO Group entered the Swedish market, and it will open its first wholesale store in Bosnia and Herzegovina in 2007. Growth in Europe forms the foundation for worldwide expansion – particularly in the markets of the future in Asia.

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Focusing on new target groups
The citizens of Europe are getting older and older, having fewer children and living in new types of family constellations – a social change to which retailing will have to adapt.

VISIONARY RETAIL ARCHITECTURE

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Imagining the shopping paradises of the future
Retailing companies are stepping up their investment in innovative and representative properties. In Istanbul, the METRO Group is building a new-generation shopping center.

SPOTLIGHT ON THE EUROPEAN CONSUMER

Private consumption is the motor of the European economies. What factors spur on private spending? And which ones turn customers off? What criteria must a merchandizing strategy meet in order to enjoy pan-European success? Answers to these and other questions are given by the METRO Group European Consumption Report, a basic study of consumer behavior in Europe.

International, productive and innovative – trade and retail represent one of the most important sectors of the future for the European Union. The 27 EU countries have achieved a top position in the import and export of goods and services worldwide. The trade and retail segment has developed into a driving force for economic vitality in post-industrial Europe. It is a major economic sector and the second-largest employer on the continent. Around 5.5 million retail companies with more than 27 million employees generate approximately 13 percent of the EU's gross domestic product (GDP).

Trade and retail's economic and social importance

The European trade and retail sector draws its strength primarily from private consumption between the Mediterranean and the North Cape, contributing nearly 60 percent of the GDP in the EU. But the trade and retail sector is not just a heavyweight from an economic perspective. It also ensures that basic human needs can be met and performs a major social function: through the import and sale of products, Europe's diversity finds its way into the consumer's daily life. In today's shopping carts of Europe, it is common to see Italian espresso nestled beside sheep's milk cheese from Bulgaria and Serrano ham from Spain.

Europe, united consumer land?

The METRO Group European Consumption Report supplies surprising findings about European consumers. In Europe,

- **... the British are the biggest consumers;**
- **... the Poles have the most fun shopping;**
- **... the Spanish are the most worried about the future;**
- **... the Germans are the most satisfied with their lives.***

*Other findings of the study can be found in the Featured Topic section "Consumption in Europe" at www.metrogroup.de. There, you also can download the brochure "The European Consumer," a document that contains all of the key findings of the METRO Group European Consumption Report.

Primary study: METRO Group European Consumption Report

In light of the cultural, political and economic unity, a number of questions arise: does the European consumer already exist? Has a consumer generation with similar tastes arisen since the European Economic Community was founded 50 years ago? Can consumer wishes between Dublin and Dubrovnik, Genoa and Gothenburg be fulfilled with uniform merchandizing concepts? In 2006, the METRO Group provided answers to these questions for the first time with the European Consumption Report – a basic study of consumption in Europe. An analysis of key economic data was conducted in countries that are representative of the European Union: Germany, France, Great Britain, Italy, Spain, Poland and Hungary. The analysis also incorporated budgetary and consumer-related factors. The findings were linked to the results of a broad consumer survey.

Europe's consumers: unity in variety

The study came to surprising conclusions: even though economic conditions in the countries that were studied still differ greatly, people view their own economic situations in a similar fashion. At the moment, most Europeans are satisfied with their lives. Still, a majority of them expect their personal situations will worsen in the next 12 months. Despite this agreement about the general situation, the behavior of British, German and Polish consumers still differs tremendously.

Within Europe, the British are the biggest consumers. The Germans rank fourth – behind the Italians and French. Nearly every third British respondent admits to "living beyond his or her means sometimes." In the Federal Republic of Germany, not even every eighth German agreed with this statement.

THE FACT THAT EUROPEAN CULTURE, POLITICS AND ECONOMY ARE GROWING EVER CLOSER TOGETHER GIVES RAISE TO THE QUESTION IF THE "EUROPEAN CONSUMER" ALREADY EXISTS.

METRO Group European Consumption Report

But the study confirmed a popular view of Germany's consumers: the people between Kiel and Garmisch are the most price-conscious in Europe. 55 percent of respondents say: "I also compare the prices of small things." In Great Britain, only 39 percent agreed with this statement. The Poles have the most fun shopping. 38 percent of respondents say: "Shopping is a real pleasure for me."

What makes merchandizing concepts an international success?

Given the results of the study, the question whether the European consumer actually exists cannot be answered with a blanket statement. As far as his or her attitudes and expectations go, this consumer does indeed exist. But in terms of consumer behavior, he or she does not exist yet. What does this finding mean to a trade and retail company like the METRO Group, a business that operates in 26 European countries? How should concepts be designed to make them as successful in Portugal as in Poland? The magical word is: flexibility. A key feature of merchandizing concepts that succeed internationally in retail is that they address the individual market's cultural distinctiveness, special expectations and needs.

Adjusting to the most diverse customer needs

Prime examples of adaptable formats are the METRO Group's two most international sales divisions: Metro/Makro Cash & Carry as well as Media Markt and Saturn. Their merchandizing concepts can be implemented internationally and, at the same time, offer the leeway needed to fulfill customers' regionally diverse needs. The requirement for this is precise knowledge about the market and location. Before expanding into a new country, the METRO Group conducts extensive preparations. The opening of every individual store is preceded by in-depth analyses of needs and buying power. At Metro/Makro Cash & Carry, a variety of store formats enables the creation of an assortment that is optimally tailored to meet local conditions: in Germany, stores that have up to 16,000 square meters of selling space and that offer up to 50,000 various products have proven themselves. In France, by contrast, stores with up to 4,000 square meters of selling space and a focus on fresh products are in strong demand. The assortments, too, are individually geared to meet customers' needs: in Hungary, for instance, Metro Cash & Carry sells more than 60 different types of salami. In Italy, commercial customers can choose among 280 types of pasta. And in Eastern Europe, live carp is offered for sale.

Formula for success: all business is local

Media Markt and Saturn consumer electronics centers are another example of a merchandizing concept that has cross-border appeal yet can be adapted to specific regional requirements. For instance the product range: depending on local preferences, the emphasis is on French chansons, Portuguese fado or Bavarian folk music. The European market leader in consumer electronics centers thrives on the principle that "all business is local." Thanks to a decentralized structure, every store manager is responsible for the assortment and pricing as well as marketing. It is a formula for success that has paid off across Europe: today, Media Markt and Saturn already generate more than 50 percent of their sales outside Germany.

822

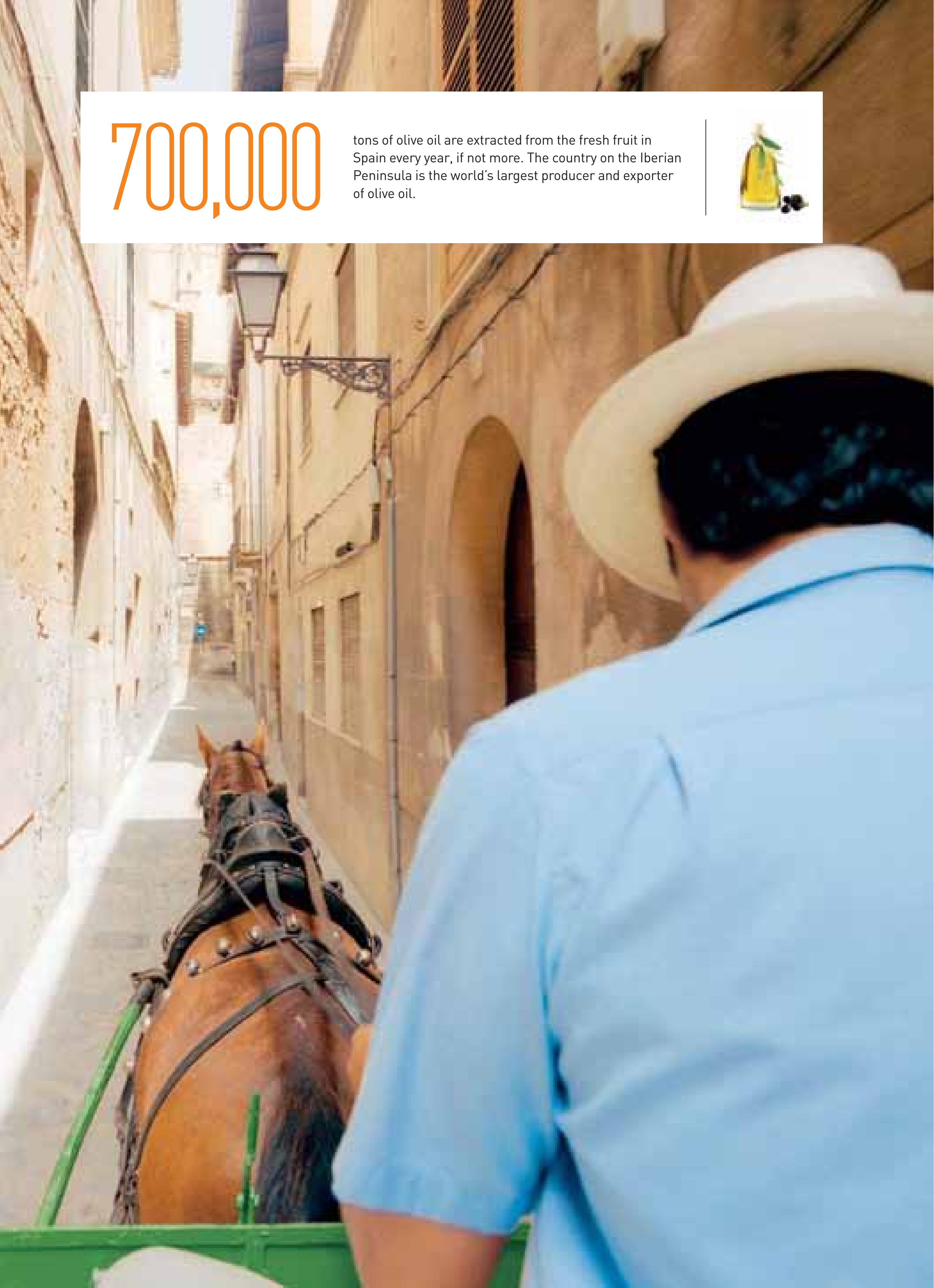
calories are in a portion of Britain's unofficial national dish, fish and chips. This amounts to nearly half of an office worker's daily needs.

1.6

kilograms is the ideal weight of a good Polish Christmas carp. But the Poles are not big fish eaters on the other 364 days of the year: average consumption of salmon, cod & Co. is well below that of European neighbors.

800

years on the menu: pasta is the Italians' favorite first course. Noodles, however, were invented in China, as the discovery of 4,000 year-old millet spaghetti in the province of Qinghai recently proved.



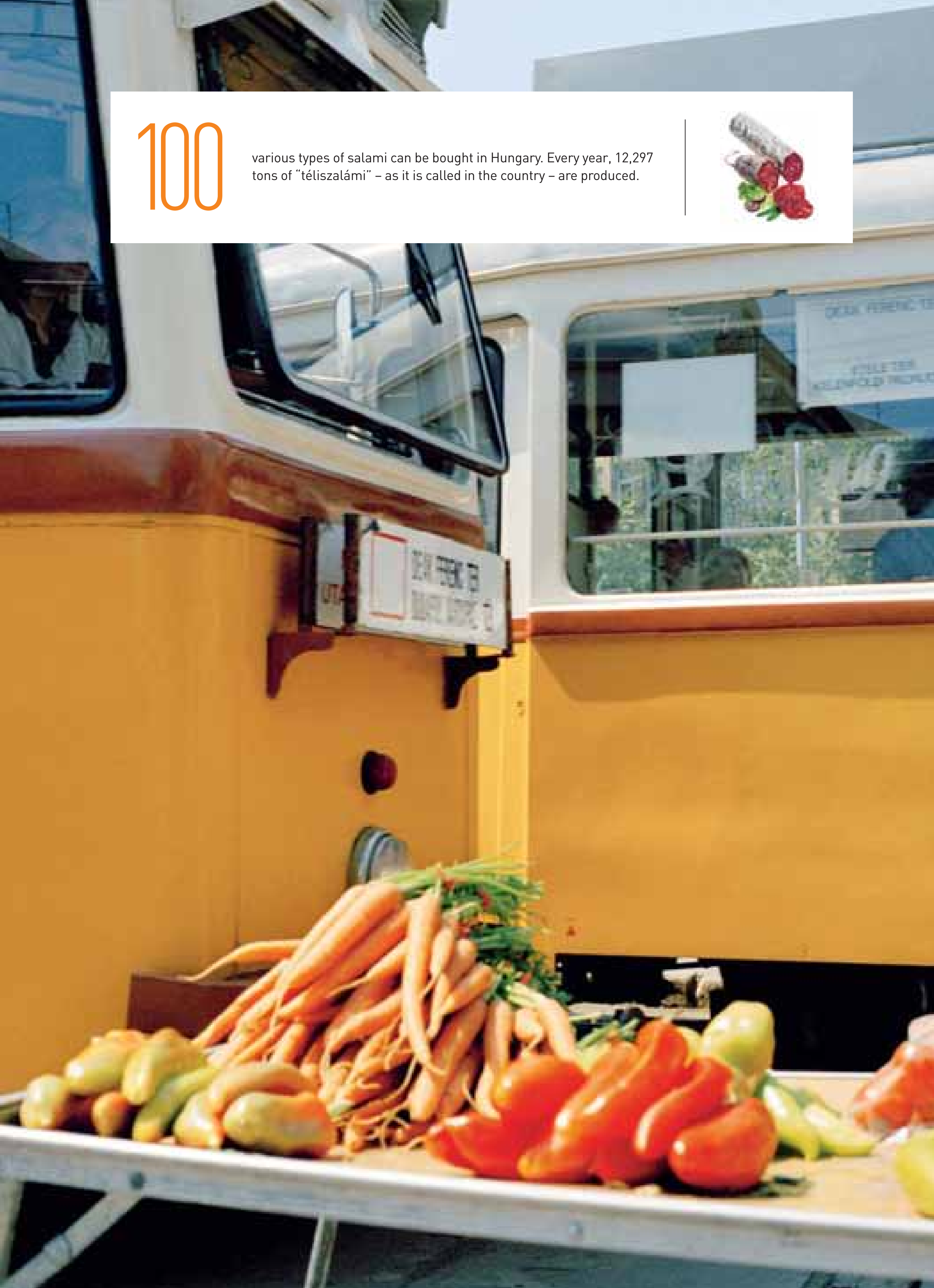
700,000

tons of olive oil are extracted from the fresh fruit in Spain every year, if not more. The country on the Iberian Peninsula is the world's largest producer and exporter of olive oil.

16,000 kilometers: that's the distance between the town of Graceville on Australia's eastern coast and Germany. Anybody who takes a look at the display in the "King of Cakes" bakery will feel right at home. It offers Black Forest gateau, Bienenstich (bee sting cake) and Gugelhupf (ring cake).

52.9

liters of wine are drunk by every French citizen on average each year. The masters of savoir-vivre are Europe's top wine consumers. As a result, they finish just ahead of the Italians – in contrast to the 2006 FIFA World Cup.



100

various types of salami can be bought in Hungary. Every year, 12,297 tons of "téliszalámi" – as it is called in the country – are produced.

NUTRITION AND EXERCISE

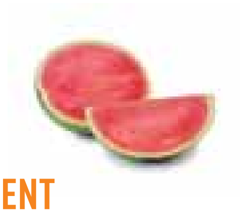
Fast food snacks have replaced fixed meals, computer games take the place of physical activity on the soccer field – European eating and leisure-time activities have changed dramatically over the last decades. The result: increasing rates of overweight and obesity, especially among children and adolescents. The only way to counter what has become a pressing health and social problem is to encourage people to stick to a balanced diet and exercise more. Of course, such an effort rests on many shoulders – including initiatives from the business world. As the leading German retailing company, the METRO Group accepts its social responsibility, working on a variety of projects that promote an active, healthful lifestyle.

"GOOD FOR YOU" – THE METRO GROUP PUTS GERMANY IN MOTION

To encourage Germans to lead healthful and active lives, the METRO Group launched a nationwide initiative on nutrition and exercise in 2007. Under the slogan of "Gut für Dich" (Good for You), it urges people to think more about their diets and to engage in more physical activity. A prominent partner of the long-term initiative is Germany's top soccer coach Joachim Löw. Thanks to his popularity, consistency and single-mindedness, he helps communicate the messages of "Gut für Dich." The initiative includes a portal on the Internet: at www.gut-fuer-dich.info, readers will find extensive information and offers, including an interactive calorie calculator, a web log written by experts, encyclopedias and a recipe database. The users also have the opportunity to contribute their own ideas and content.
At the beginning of 2007, the METRO Group also began adding a clear, consumer-focused nutrition labelling on its own brand products. The front of the packaging provides the most important information at a glance: serving size, calories per serving and percent daily values. The back provides key nutritional information. This information helps the customer purchase foods that meet individual calorie needs. The METRO Group is the first German trade and retail company to offer this type of uniform nutrition labelling across a whole range of products.

More about "Gut für Dich" (Good for You)

You will find additional information about "Gut für Dich" (Good for You), the METRO Group's Initiative for Nutrition + Exercise, along with magazine articles, an interactive fitness calculator, tips from experts and discussion forums on these issues at: www.gut-fuer-dich.info.



ASSORTMENT HEALTH-FOCUSED PRODUCTS

The METRO Group also addresses the needs of modern customers through the design of its product range: the sales brands are increasingly putting health-focused products on their shelves. They already sell more than 2,400 wellness, light and active products – including 300 various private labels. The private label TIP used by Real and Extra, for example, includes many products that contain only small amounts of fat or sugar. In the stores and outlets of Metro sales brands active in the food-retailing business, customers also will find a large selection of fresh products, including fruit, vegetables and fish. Every Real hypermarket stocks an average of 900 such articles, and Metro Cash & Carry is among the largest fish retailers in Europe. The sales brands' health-focused line-up is rounded out by specific private labels with products for children and organic food.

SPONSORING
"SCHWER MOBIL" AND THE "DEG METRO STARS"

Every fifth German child is overweight by the time he or she enters elementary school. As a result, it is important to inform people early on and ensure that families get targeted information. In one reflection of this effort, the METRO Group supports the initiative called "Schwer mobil – Bewegung, Spiel und Sport für übergewichtige Kinder" (exercise, playing and sports for overweight children) that was initialized by the German state of North Rhine-Westphalia. The aim of the project is to use specially schooled trainers to help awaken the desire of children and young people to lead healthy lifestyles. This goal is also being pursued by the "Real Junior Cup" – Europe's largest street soccer tournament. It is aimed specifically at 10 to 13 year-old children, and is played each year at 240 locations. Since 2002, the METRO Group has been the main sponsor of the Düsseldorf ice hockey club "DEG METRO STARS," also fostering its junior team. This effort is not just designed to support professional athletics. It also provides support to the club's work with young people.

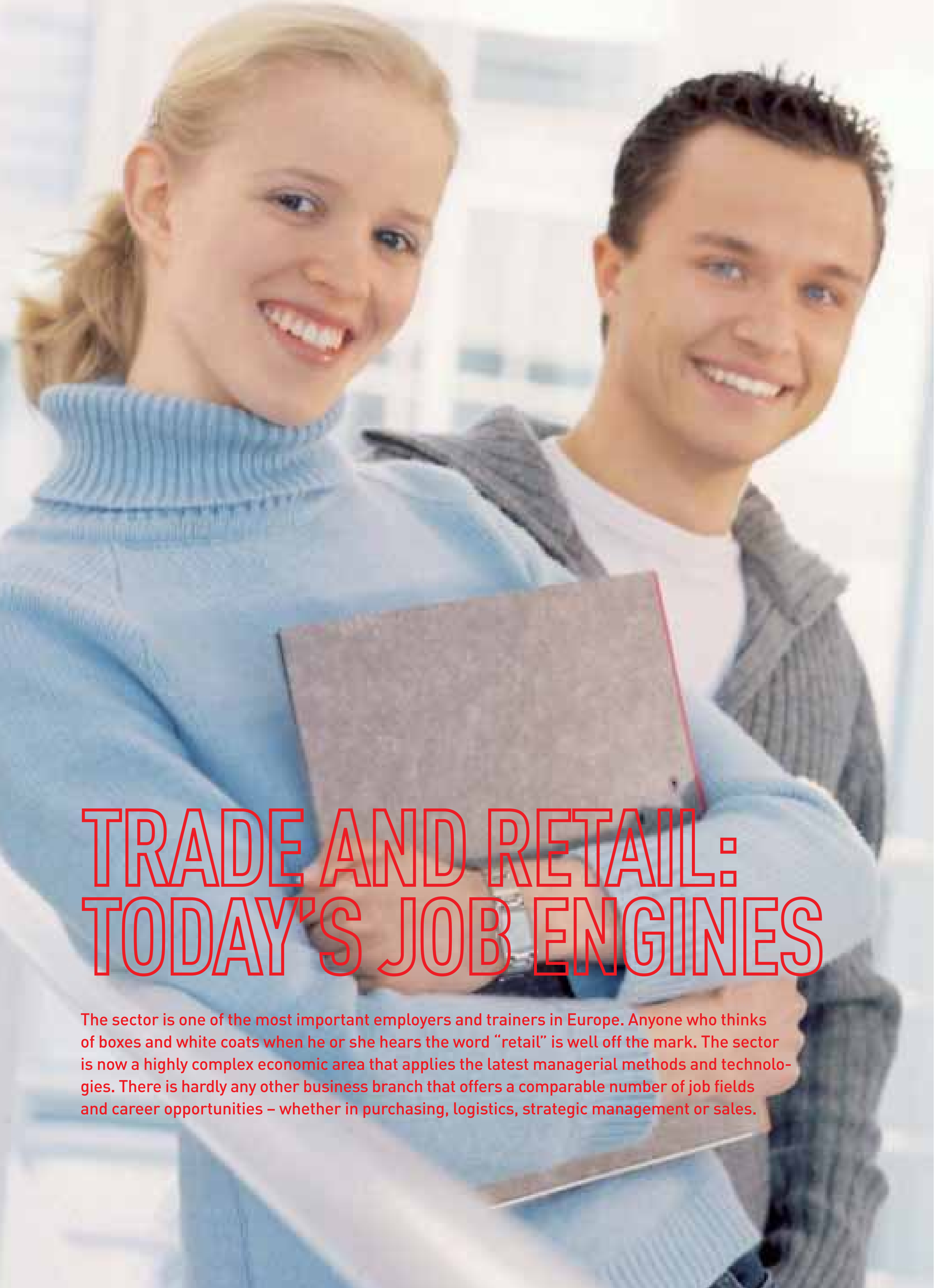
MOTIVATION
ENCOURAGEMENT THROUGH MARATHONS AND SOCCER

For participants and spectators, they are among the highlights of the year: huge athletic events like the METRO Group Marathon in Düsseldorf. Tens of thousands of amateur and professional runners flock to these races each year – and more than 1 million people in Berlin alone watched them in 2006 at the Real Marathon. As a result of the enormous popularity of the marathon races, many people gain the motivation they need to do more exercise. The METRO Group has been the main sponsor of the Düsseldorf city marathon since 2005. Besides the Berlin marathon, another METRO Group project has created quite a stir in the German capital: Metro Soccer Heaven – a full-size soccer pitch located on the roof of a Metro Cash & Carry wholesale store in the city's Friedrichshain-Kreuzberg district. The first game on this unusual field was played on June 29, 2006. Since September, local schools and clubs can practice there at no cost.

COMMITMENT
JOINTLY FIGHTING OBESITY

To sensitize large numbers of citizens to the importance of nutrition and exercise, as many actors as possible must pool their energies. This thinking forms the basis of the "Plattform Ernährung und Bewegung" (Platform Nutrition and Exercise), peb – the largest effort in Europe to combat obesity among children and young people. The German government created the forum in 2004. Its goal is to reduce obesity among young people in particular.

The METRO Group supports peb in many ways: among other things, it promotes the pilot project "Kita-Frühling Halle" (Day-care Spring in Halle, Germany): in 45 day-care centers in the eastern German city of Halle, professional trainers are working to make a balanced diet and plenty of exercise a regular part of children's lives.



TRADE AND RETAIL: TODAY'S JOB ENGINES

The sector is one of the most important employers and trainers in Europe. Anyone who thinks of boxes and white coats when he or she hears the word "retail" is well off the mark. The sector is now a highly complex economic area that applies the latest managerial methods and technologies. There is hardly any other business branch that offers a comparable number of job fields and career opportunities – whether in purchasing, logistics, strategic management or sales.

Retail offers both first-timers and experienced specialists diverse opportunities to work and start a career.

With about 270,000 employees in 30 countries, the METRO Group is one of the sector's biggest employers. As part of the company's international expansion, it adds a few thousand employees to its job rolls every year. With their talents, dedication and knowledge, they have turned the history of the METRO Group into a success story of retailing. The trade and retail sector is the second-largest employer in the European Union. Between the Mediterranean and the Barents Sea, more than 27 million people work at one of the approximately 5.5 million trade and retail companies. Each of them has made a career decision for a dynamic sector. In past years, the traditional jobs in trade and retail have undergone change, creating an array of multifaceted tasks and responsibilities in the process. Expanding to international markets, optimizing merchandizing concepts and utilizing innovative technologies – these are just some of the challenges that employees of a modern trade and retail company like the METRO Group tackle every day. Furthermore, the sector has created a variety of new occupational areas. One example is the category manager: this employee is charged with assembling a product group, presenting it, developing the advertising and setting the prices. Here is another novelty: the web developer – after all, a presence on the Internet is becoming increasingly important even for the stationary retail.

More than 20 apprenticeship occupations

The diploma completed – and what next? Particularly in Germany, many young people worry that they will not find a job or will lose the one they have. As the Shell Report on Young Germans 2006 showed, 69 percent of people 12 to 25 years old share this concern. The trade and retail sector has assumed its responsibility in this area: with an annual average of 240,000 apprentices, the sector is one of the most important occupational trainers in the Federal Republic of Germany. In 2006, more than 3,000 young people began their training programs at the METRO Group in Germany. People entering the program can choose from more than 20 occupations – from freight forwarding and logistics services clerk to designer of visual marketing. People who complete a trade-and-retail apprenticeship have good career opportunities. At the METRO Group, more than 40 percent of the current managing directors began their careers as apprentices.

Stepping stone for college graduates

Increasing numbers of college graduates are choosing careers in trade and retail. Using its sector-wide unique event called "Meeting Metro," the METRO Group makes early contact with ambitious members of the upcoming generation. The company can offer them an array of challenging positions inside and outside Germany. One key desire of many college graduates is to gain professional experience in an international setting, to slip into a foreign culture and to see how other people work. The METRO Group offers them – as hardly any other company in Germany does – the opportunity to grow in ways that extend far beyond the borders of countries and sales divisions.

Talent factory in Eastern Europe

The countries of Eastern Europe are important markets of the future for international trade and retail companies. As a result, the demand for young employees is great. To train young people for jobs in the retail sector, the METRO Group launched an initiative called "Metro Education" in 2001. The objective is to set international standards in occupational training in the sector and to prepare young people systematically for jobs in trade and retail. After successfully launching the initiative in Poland, the METRO Group has introduced it in Russia and Romania. More than 2,000 young people in these three countries have taken part in the program yet.

The art of promoting and prodding

The METRO Group is determined to be an attractive employer. As a result, individual counseling forms the heart of personnel development. Employees who identify with their jobs and enjoy doing them are the only ones who can do their part to satisfy customers – and, as a result, contribute to the long-range growth of the group. The METRO Group systematically promotes and prods it employees to take the initiative. To assume responsibility for their jobs, people must have the necessary know-how and must regularly expand it. Tailored training courses and programs – like those offered at the company's own Metro Corporate University – have the highest priority at the group.

Fascination trade and retail Whether Madrid, Milan, Berlin, Warsaw or Moscow – Europe is an important marketplace for the METRO Group. In 26 countries of the continent, the company brings people and products together each day. Around 900,000 different products fill the shelves of the sales brands. Around 250,000 employees meet the needs of millions of customers each day – what fascinates them about trade and retail? Five employees who work in Europe offer some answers.

Eva Garrido Grille, 38, Communications Manager at Makro Cash & Carry in Madrid "Strong communication skills, critical thinking and enjoyment of work with people – that's what my job is all about. In the process, direct contact to the customer is just as important as my exchanges with colleagues from around the world. They come up with all sorts of useful suggestions. Here are just a couple of examples: we have adapted the German employee magazine, and we used the newsletter from the Czech Republic as a model for our own. What really appeals to me in the trade and retail sector is the vitality: no workday is the same."

Peter Holdziewicz, 40, Managing Director Finances/Administration at Real in Warsaw "I did grow up in Austria and went to college in Switzerland. But when it came to work, I was drawn to the home country of my parents, Poland. The really great thing here is the spirit of optimism in the country: the term of 'change management' is really not understood here because all management means change. As the number cruncher, I have the pleasant task of pooling and channeling the abundance of energy – there's no shortage of motivation anywhere."

Claudia Schubert, 22, apprentice at Galeria Kaufhof in Berlin "After school, I completed an office clerk apprenticeship – but it lacked contact with people. That's why I turned to retailing. The size of the company also appealed to me. Right now, I'm working in the watch and jewelry department. I really like the high-quality assortment: in particular I have a lot of fun doing the decoration. And we manage to communicate with tourists here at the "Alexanderplatz" – even if we have to use a lot of gestures."

Elena Walerijewna Saneva, 28, Department Head Entertainment at Media Markt in Moscow "The most important part of my job is to be totally committed to it. A well-known international company like Media Markt offers all sorts of career possibilities and a whole lot of exciting challenges. Our store just opened in December 2006. We're in the process of putting together a strong team – people who will act in concert. Our aim: to make Media Markt No. 1 in Russia."

Jochen Schäfer, 38, Managing Director of MGB METRO Group Buying South in Milan "Even while I was in college, I knew I would go into retailing – particularly international purchasing. An internship I completed in Hong Kong sold me on the career. Trade and retail are fascinating and exciting. I began work as a trainee at Metro Cash & Carry. After various stops in purchasing in France and Romania, I worked in international procurement coordination in Düsseldorf until recently. Right now, I have the opportunity to develop MGB South as part of the regionalization of purchasing – an exciting start-up process in a multinational context."

DEMOGRAPHIC CHANGE

The face of Europe is changing: between the Algarve and the Ural Mountains, fewer and fewer children are being born. At the same time, life expectancies are climbing. People from other countries and regions are immigrating; the population of entire areas is thinning out. Traditions are falling apart, and new family structures are arising. Demographic change is having a far-reaching impact – on trade and retail as well. But focusing solely on the risks of this trend is a short-sighted approach. Change brings opportunity, too.

Good news for young families: on January 1, 2007, mothers and fathers in Germany were granted the right to receive government financial support for parents. The government's program is designed to ease people's decision to have children. But even such specific incentives will be unable to stop far-reaching demographic change. For a long time now, the number of births in the country has been below levels needed to keep the size of the population stable. In addition, the average age is rising steadily: by 2030, nearly half of Germans will be older than 50. As a result, it will not be the children who make up a majority of the population. It will be the parents and grandparents – a true test for the social-service systems, and a challenge for business and society. The trend is much the same in other European countries, including Italy, Spain and Russia. Statisticians forecast a particularly dramatic loss of people for Lithuania and Estonia.

Lifestyles and consumption behavior are changing

As a result of demographic change, the face of European societies is losing more than its youthful appearance. New lifestyles are emerging as well. The number of single households is climbing, and the classic concept of the family is changing. Increasingly, people are forming patchwork families. Having more than two children is becoming the exception to the rule: in the European Union, a woman has an average of 1.5 babies. Immigration has been able to limit the "shrinking" of the population so far – but it cannot stop it.

These developments affect people's daily behavior in various ways. The Rheingold Institute for Qualitative Market and Media Research conducts in-depth psychological studies on partial aspects of demographic change. One of its findings: as traditional structures of living together increasingly dissolve, people are searching for new ways to find orientation – in such areas as the planning of meals, which are eaten less and less with the family. Or selecting the right product, a decision that is sometimes difficult to make given the flood of brands and advertising promises. Trade and retail will have to adapt to this need.

"EVERY CHANGE BRINGS A LOSS OF TRADITION AND STABILITY. FACED WITH SUCH A SITUATION, PEOPLE LOOK FOR NEW FORMS OF MEANING AND ORIENTATION – A NEED TO WHICH TRADE AND RETAIL SHOULD ADJUST."

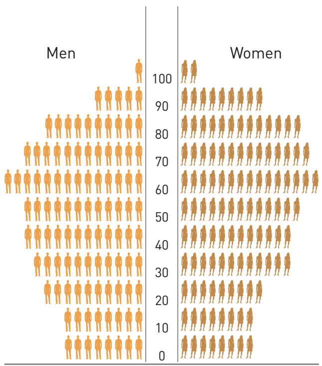
Psychologist Jens Lönneker, Managing Director of the Rheingold Institute for Qualitative Market and Media Research

Strategies for the target groups of tomorrow

The sector is facing several challenges at once: as the population drops, the number of customers falls. At the same time, these customers are getting older, increasingly are coming from foreign cultures and are seeking assistance with their daily purchases. The makeup of the workforce is changing, too: because the group of 20 to 50 year-olds – primarily people of working age, in other words – is shrinking, competition for talented native and non-native employees is intensifying.

The changes in customer and employee structures will require a change of thinking in trade and retail. But they also offer huge opportunities: for instance, an attractive market for suitable generational products will arise. Consumers older than 50 are considered to be discriminating, self-confident and financially well-off. When they feel that they have received good assistance, they are prepared to spend more money than younger people. By the same token, singles or migrant families are becoming ever more important customer groups, which can be targeted by tailoring the product range to their needs – by introducing new packaging sizes, for instance, or by offering ethnic products. The METRO Group's German sales brands already stock a wide variety of Turkish, Russian and Asian goods. All products intended for specific target groups – like families with small children or elderly people – are presented on a dedicated area on the sales floor. Larger price labels, wider aisles and brighter lighting make shopping easier for senior citizens. And singles are not the only people who appreciate the growing number of meals that can be prepared quickly and easily.

AGE STRUCTURE 2050 IN GERMANY

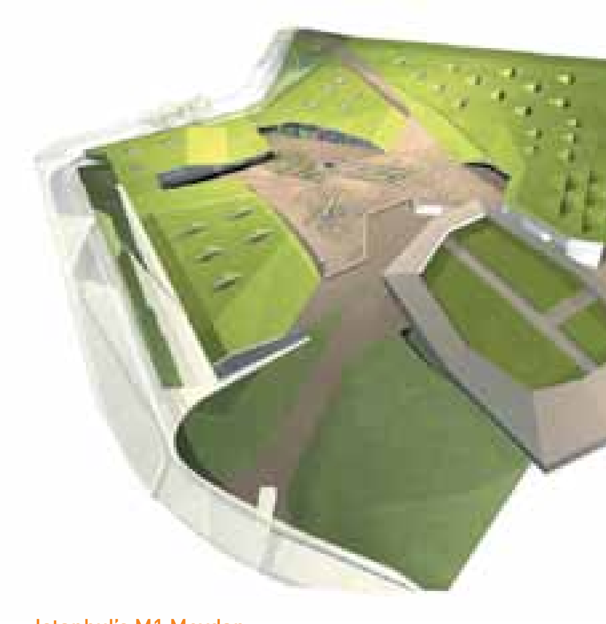


Innovative personnel policies

In its personnel policies, the METRO Group is making adjustments triggered by the changing society: for instance, it is increasingly hiring employees from various cultures. Currently, people from 154 countries work for the trade and retail company. Family-friendly work-time models and child-care offerings help female employees in particular improve their work-life balance. The company places high value on the wealth of experience contributed by the "best-agers" in its ranks. Employees from the 50plus generation are offered age-specific training programs. The METRO Group also makes an active commitment to the health of its employees. 2005 saw the launch of the health initiative "GO" with pilot projects devoted to the early diagnosis of health problems, prevention and rehabilitation. The objective is to maintain the well-being and health of employees for as long as possible – an important factor to secure the company's long-term competitiveness and earning power.

VISIONARY RETAIL ARCHITECTURE

Harrods in London, Galeries Lafayette in Paris or Galleria Vittorio Emanuele II in Milan – prestigeous department stores and malls are more than places to shop. They are among the landmarks of their cities. Retail is once again making large investments in attractive real estate properties. After all, the properties can be commercially successful only if location, atmosphere and functionality blend together. In constructing its retail properties, the METRO Group sets international standards. In Istanbul, for instance, it is building a shopping center that is in a league of its own.



Istanbul's M1 Meydan

Generous roof gardens and flowing transitions between buildings, at a location where many roads intersect – key ideas that went into the design of the new shopping center.

In pointed contrast to the plain and boxy architecture of traditional greenfield shopping malls, the METRO Group's real estate division, METRO Group Asset Management, is currently developing an innovative shopping center right at the heart of the Turkish metropolis Istanbul. The location alone is promising: the building complex is being constructed in the rapidly growing city district of Ümraniye. The former community of 900 people has evolved in past decades into a bustling area with more than 650,000 residents. Numerous international companies have moved there, attracting young, well-educated people from all parts of Turkey. In particular, the booming city district profits from its excellent infrastructure: it is located directly on the main traffic artery between the eastern and western sides of the city.

Modern marketplace

Meydan – under this name, the METRO Group is developing its most ambitious project to date in the Ümraniye district. "Meydan" is the Turkish word for marketplace. As a result, the central idea behind the building is clearly defined: the complex should become the city district's most important meeting point and new heart – with sports and music shops, bookstores and consumer electronics centers, with a movie theater as well as with numerous restaurants and cafés. The biggest section of the complex will be occupied by a Real hypermarket. On 14,500 square meters of space, customers will find a comprehensive range of food and nonfood products beginning in the middle of 2007. The ambiance of the entire building reminds one of a marketplace. The center is formed by an open area connected to all levels of the building by ramps and steps. As a result, a venue for interaction is being created in the middle of the city.

A bit of nature in the big city

The design for Meydan emerged from an international architecture competition. The Foreign Office Architects (FOA) from the United Kingdom developed the plans with the help of the Turkish architecture firm Turgut Alton Mimarlık Müflavirlik. The former village of Ümraniye has given way to a gray city – as a result, the design calls for large green areas on the center's roof. These areas, many of which are open to pedestrians, have an important environmental and social function: a green oasis in a city plagued by emissions from cars and industrial zones, they invite citizens to stay, play games on the grass or have a picnic. Besides, the roof landscape also has insulating properties that help save energy: on hot summer days, the soil and the plants will provide natural cooling. One further benefit: the soil substratum acts as a water reservoir, easing the load on the sewage system. In this manner, the green areas on the roof help prevent flooding, particularly during heavy rains. The architects also have designed innovative and environmentally sustainable solutions in other areas of Meydan as well. The center is heated entirely by geothermal energy, and the underground parking lots have natural ventilation.

The return of prestigious shopping

The project in Istanbul shows that creative, urban architectural concepts for retail design are regaining significance internationally. In Europe and the United States, department stores have shaped the face of urban centers since the 19th century. At times, truly magnificent department stores were erected before World War I – including Bon Marché in Paris with its neo-Baroque sacral and castle architecture. The building from 1909 constructed by Josef Maria Olbrichs for Leonhard Tietz in Düsseldorf – which is now the Galeria Kaufhof on Königsallee – is considered to be another milestone in department store architecture. The exterior with its huge windows, the curved roof, and the numerous sculptures and works of art still impress customers. During World War II, many traditional stores were destroyed. In the 1960s and 1970s, a new trend took hold of large parts of Europe: functional buildings on the outskirts of towns became the competitors of downtown retailers.

For several years now, retail has been working to resharpen the profiles of its inner-city stores and to qualitatively improve them. After going through the trend of space optimization, customers and companies are now searching for areas that offer atmosphere and "breathing room." The thinking that architecture contributes to commercial success has taken hold.

New visitor magnets in Europe's downtown areas

The METRO Group considers itself to be a partner of sustainable urban planning. It works internationally with renowned architects in an effort to offer customers not only top-quality assortments but also shopping experiences. In May 2006, the Galeria Kaufhof at Alexanderplatz in Berlin was reopened after undergoing nearly two years of renovation. It was "open-heart surgery": while business continued as usual, the selling space was expanded by 15,000 square meters – among other things, the building was enlarged by ten meters in the direction of Alexanderplatz. The building bears the signature of the acclaimed architect Josef Paul Kleihues. He designed the natural stone facade with its clear structure, sculptured appearance and sweeping display windows. The heart of the building is a domed atrium.

Another project under the direction of METRO Group Asset Management is currently developed in Poland, to great public acclaim: the architecture of the specialty store center M1 Krakow is based on the building style in the old city, which is a UNESCO world heritage site. The artistic design of the interior is based on the themes of earth, fire and water – this also makes it a high-demand location for fashion shows, exhibitions and concerts.

"PLAZAS NEED PATHS"

An interview with Friedrich Ludewig, Associate Director at the Foreign Office Architects (FOA) in London. In 2005, FOA won the METRO Group's architecture competition for the M1 Meydan project in Istanbul.

Mr. Ludewig, what turns the shopping center in Ümraniye into a meydan – a marketplace and meeting point?

During the planning phase, we spent a lot of time studying the design of plazas and discovered: they work only when they form the intersection of several paths. As a result, we added paths running over the roof and leading to the plaza. That means you can reach the center not only by car, but also on foot and by bike. Mothers with strollers can use them, too.

A roof for walkers?

That's right. The need to spend time in a green area is really great in Istanbul. The people use every chance they get to have a picnic. We tried to keep that in mind during the planning, and the roof is a green area. Several 20-story apartment buildings were recently constructed directly next to the M1 Meydan. The apartments have sold extremely well – because one of the selling points was that they have a view of our roof.

What is so forward-looking about your design?

This project is one of the first that turns away from the prototype of the inward-looking mall. It presents a mixed form between covered and open space. Around the world, you can see that the trend is moving in this direction.

Do you view the M1 Meydan as a model for further international retail properties?

We'd like to hope that we inspire other projects, not with our specific form language, but with our basic idea: to create retail facilities that incorporate local conditions and attract customers and tenants who previously would have shunned shopping centers with their new type of architecture.

CONTENT

“The past 12 months were our strongest year for growth since 1998. We continued on our profitable growth course.”
“Our primary goal remains a sustainable increase in value.”

Dr. Hans-Joachim Körber

Dr. Hans-Joachim Körber

Dear Stockholders,

The year of 2006 stood for two significant things: the 10th anniversary of the METRO Group and a 10-year success story. When we started operations, we focused almost exclusively on the German market. But, as the years of our first decade have passed, we have evolved into a company that does business in nearly all of the world's important economic regions. Europe is now a domestic market for our company.

Last year's business developments show that the METRO Group has lost none of its vigor and innovative power – on the contrary! The past 12 months were our strongest year for growth since 1998. We continued on our profitable growth course. We became even more international as a company. We further optimized our portfolio. And we made good progress in our efforts to position our sales divisions as brands (retail branding). The business results achieved by Metro Cash & Carry as well as Media Markt and Saturn were especially pleasing. Both sales divisions considerably extended their market-leading position.

And just what did we achieve in business terms during 2006? The METRO Group reached both its sales and earnings targets in fiscal year 2006. Consolidated group sales rose 7.5 percent, to a record level of around €60 billion. Adjusted for acquisitions, our growth totaled 6.6 percent. We also boosted earnings. With a growth rate of 14.1 percent, we raised our operating earnings (EBIT) to €1,983 million. Earnings per share, too, developed according to our planning.

As a result of the positive business developments and the successful placement of the remaining shares in Praktiker Bau- und Heimwerkermärkte Holding AG, the Management Board and Supervisory Board will recommend a dividend increase for fiscal year 2006 to you. We will propose that the dividend per share of common stock should be raised by about 10 percent to €1.12.

We have successfully forged ahead with our international expansion strategy. In 2006, Media Markt expanded to Russia and entered the Swedish market. All in all, the METRO Group opened 227 new stores during the past fiscal year. At the end of the year, our sales divisions were represented in 30 countries at 2,378 locations. The focal points of our drive to expand our sales networks are the growth regions of Eastern Europe and Asia. In particular, Metro Cash & Carry, Media Markt and Saturn expanded their international market presence. Real pushed ahead with its international business activities, opening 12 stores in Eastern Europe. With the acquisition of the Géant stores, Real further strengthened its market leadership in Poland.

The exceptional results of our internationalization are reflected in our company's growth pattern. During fiscal year 2006, the share of group sales generated abroad rose to about 56 percent, a record level. By way of comparison: ten years ago, we generated just 5 percent of sales abroad.

We further optimized our portfolio. In April, we successfully placed the remaining shares of Praktiker on the capital market. The divestment of our home improvement activities has created additional leeway for an expansion of our core business activities. This is also reflected in significantly higher investment volumes.

We pushed ahead with the transformation of our sales divisions into retail brands. In fiscal year 2006, we concentrated in particular on Real. Our aim is to anchor this sales division as a clearly defined, strong brand in the customer's mind. It is a goal already achieved by Metro Cash & Carry, Media Markt and Saturn. The effort at Real is based on a refined sales concept that focuses on an expanded assortment and high-quality services in the fresh produce area. In the process, we focus on the repositioning of Real, even though our ambitious business expectations at Real have not been completely fulfilled. The Real sales division is anticipating that the acquisition of the German hypermarkets of Wal-Mart will generate additional business impulses, and Real intends to use these stores to expand its market-leading position.

Galeria Kaufhof also sharpened its brand profile during the past fiscal year. You can see the "flagship stores" of the new Galeria generation in Munich, Aachen, Hamburg and, since summer 2006, in Berlin at Alexanderplatz. With this prototype in a world-city format, the sales division presents itself as an unmistakable lifestyle brand.

In 2007, business trends in German trade and retail will be shaped by the increase in the country's value-added tax, additional health-care burdens borne by consumers and reduced tax subsidies. Under such unfavorable conditions, an upswing in wholesale and retail can be expected only if buying power and employment rise significantly.

What are we planning to achieve in 2007? Our primary goal remains a sustainable increase in value. Our international expansion provides continued momentum, particularly in the regions of Eastern Europe and Asia. In 2007, Metro Cash & Carry is planning to open the first store in Pakistan and

Media Markt will open its first store in Turkey. We intend to increase Real's performance by using a newly optimized sales concept. We will energetically move forward with the repositioning. We will also continue to advance the Galeria concept of our Kaufhof department stores.

Dear stockholders, you see that your company, the METRO Group, is moving in the right direction. We all have reason to look optimistically toward the future. To profit from the opportunities offered by international markets, we need your support and your trust. You gave us both during the past fiscal year. We thank you for it. We hope that you will constructively stand by us in 2007.

At this point, I would also like to express my special gratitude to all of the company's employees. Their deep commitment formed a strong basis of our successes.

Yours sincerely,

Dr. Hans-Joachim Körber
Chairman of the Management Board
Chief Executive Officer

01

TO THE STOCKHOLDERS

Continuous upswing: METRO Group stockholders can trust in the sustainable success of the corporate strategy.

ON THE ASCENT: THE EUROPEAN BALLOON PARADE

As early as the 18th century, the French inventors of the hot air balloon set out to **overcome barriers**. Today, virtually limitless mobility is one of the most salient features of the European continent. By the same token, the free flow of goods and services increases, bringing people and markets ever closer together – a key driver of growth in Europe.

REPORT OF THE SUPERVISORY BOARD

Dear Stockholders,

The METRO Group (the group including METRO AG) further strengthened its market leadership in 2006 – just in time for its 10th anniversary. The positive business results show that the retailing company has taken the right course in its long-range strategy. In the years ahead, the company is determined to continuously extend its established position through sustainable value creation.

Progress in retail is directly related to personal dedication, skill and a total focus on the customer. The Supervisory Board would like to express its thanks to the Management Board, executives, employees and employee representatives for their energetic and successful work.

SUPERVISION OF EXECUTIVES AND COOPERATION WITH THE MANAGEMENT BOARD

During the reporting period, the Supervisory Board of METRO AG carried out the consultation and monitoring duties set forth by law and the company's Articles of Association. It regularly advised the Management Board on the management of METRO AG and the group during fiscal year 2006 and constantly supervised the management. The Supervisory Board was involved in all decisions that were of material importance to METRO AG or the METRO Group.

The work of the Supervisory Board was based in particular on the oral and written reports given by the Management Board both during and outside meetings held by the Supervisory Board and its committees. The Management Board provided the Supervisory Board with detailed and timely reports about all developments of material importance to the METRO Group. The reports covered in particular proposed business policies and fundamental questions about company planning and strategic development. Other report topics included profitability, current business developments, including the position of the METRO Group, as well as risk management, operations of material importance for the profitability and liquidity of the METRO Group and important investment and divestment decisions. The reports were provided regularly pursuant to § 90 Section 2 of the German Stock Corporation Act. Any deviations in business developments from set plans and objectives were explained by the Management Board stating reasons.

The Supervisory Board – or, in one case, the Presidential Committee that had been authorized to act by the Supervisory Board – approved all matters that were submitted to it by the Management Board pursuant to the by-laws of the Supervisory Board and the by-laws of the Management Board as a subject for authorization. These matters included updating and improving the by-laws of the Management Board, and the sale of a real estate portfolio and the remaining shares of Praktiker Bau- und Heimwerkermärkte Holding AG that went public in 2005. In addition, the Supervisory Board approved the takeover of Wal-Mart's business in Germany and two international acquisitions (Géant Poland and Marktkauf Russia). The Supervisory Board also endorsed the group's annual budget for fiscal year 2007 submitted by the Management Board. In these and other instances, the Supervisory Board regularly received written documentation for preparing the decision. No use was made of the rights of inspection and audit granted under § 111 Section 2 Sentence 1 and 2 of the German Stock Corporation Act because no matters requiring clarification arose.

During the reporting period, the Chairman of the Supervisory Board was in regular contact with the Chief Executive Officer. The Chairman of the Supervisory Board was kept abreast of important business developments and pending decisions by the Chief Executive Officer during regular one-on-one meetings. For certain issues, the Supervisory Board heard directly from managers in the group or external consultants.

The Supervisory Board thoroughly discussed and reviewed all reports and documents that were submitted to it. Further details will be provided in the following sections. No objections about the Management Board's activities were raised.

MEETINGS AND DECISIONS OF THE SUPERVISORY BOARD

In fiscal year 2006, the Supervisory Board met six times, including five regularly scheduled meetings and one extraordinary meeting. No member of the Supervisory Board attended fewer than half of the meetings. Furthermore, the Supervisory Board made one decision in a written procedure.

During each regular meeting, the Supervisory Board closely examined current business trends in the METRO Group. In addition, the Chairman of the Supervisory Board gave reports about pivotal issues and results of earlier committee meetings. Finally, the Management Board reported continuously about progress in its review of the notifications by major stockholders of METRO AG about their shareholdings pursuant to the German Securities Trading Act. These notifications were made up for by these stockholders. The other major issues considered during the Supervisory Board meetings are summarized in the following information and in "Appointments and resignations."

The focus of the Supervisory Board's meeting in March 2006 was the annual financial statements of METRO AG and the consolidated financial statements for fiscal year 2005, the management report of METRO AG 2005 and the group's management report 2005, the Management Board's proposal on the appropriation of the balance sheet profit to the annual general meeting 2006 and the report of the Management Board about relations with associated companies in 2005. The auditors attended this meeting and gave a report about the key findings of their review. Other items on the agenda included preparations for the annual general meeting 2006, including the Supervisory Board's report to the annual general meeting, and the Corporate Governance Report. The Supervisory Board also authorized the Presidential Committee to make a decision about approving the sale of the remaining shares in Praktiker Bau- und Heimwerkermärkte Holding AG. The Supervisory Board endorsed the sale of a real estate portfolio, and the updating and improvement of the by-laws of the Management Board and Supervisory Board.

During the meeting held in July 2006, the Supervisory Board intensively considered personnel matters of the Management Board. The appointment of Prof. Feuerstein to the Management Board of

METRO AG was amicably ended as of July 31, 2006, and Mr. Muller was appointed to a five-year term on the Management Board as of August 1, 2006. The Supervisory Board also passed a revised assignment of responsibilities for the Management Board. Other matters on the agenda were two METRO Group investment projects: the Supervisory Board approved the acquisition of the hypermarkets of Géant in Poland and endorsed the takeover of Wal-Mart's business in Germany. During this meeting, it also discussed the introduction of a group-wide uniform compliance system.

In a written process, the Supervisory Board decided in August 2006 to extend Mr. Unger's term on the Management Board by five years as of August 1, 2007. This extension was unanimously supported during the Supervisory Board meeting held in July.

During its meeting in October 2006, the Supervisory Board discussed the METRO Group's risk management. Furthermore, it entrusted KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main, (KPMG) to conduct an audit of the annual financial statements and the consolidated financial statements in 2006. It also agreed on the focal points of the audit and the auditor's fee.

In December 2006, the Supervisory Board thoroughly discussed and then approved the group's annual budget for fiscal year 2007 that had been presented by the Management Board. This budget covers the planning for profits, sales, investments, locations, personnel and financing. In the process, the strategic goals for fiscal year 2007 were discussed as well. The Supervisory Board also passed its declaration of compliance with the recommendations of the German Corporate Governance Code in accordance with § 161 of the German Stock Corporation Act.

MEETINGS AND DECISIONS OF THE SUPERVISORY BOARD'S COMMITTEES

To improve its efficiency, the Supervisory Board of METRO AG has formed four committees: the Presidential Committee, the Personnel and Nominations Committee, the Accounting and Audit Committee and the Mediation Committee, which was appointed pursuant to § 27 Section 3 of the German Codetermination Act. The Presidential Committee prepares the meetings of the Supervisory Board when the chairman of the Presidential Committee deems it necessary and makes decisions, pursuant to § 107 Section 3 Sentence 2 of the German Stock Corporation Act, about urgent matters and about those issues that have been submitted to it by the Supervisory Board in separate actions. The core responsibilities of the Personnel and Nominations Committee are personnel issues concerning the Management Board. The Accounting and Audit Committee basically addresses accounting issues, including interim reports, and risk management.

During the fiscal year, the Accounting and Audit Committee met in March, May, July, September, October and December for a total of seven times. Three of the meetings were held with the Presidential Committee.

In March 2006, the Accounting and Audit Committee and the Presidential Committee discussed, in the presence of the auditor, the annual financial statements of METRO AG and the consolidated financial statements for fiscal year 2005, the management report of METRO AG, the group's management report for 2005, the Management Board's proposal to the annual general meeting on the appropriation of the balance sheet profit, and the report of the Management Board about relations with associated companies 2005. The committees recommended to the Supervisory Board that the statements set up be approved and the Management Board's proposal on the appropriation of the balance sheet profit be endorsed. During the May 2006 meeting, the Accounting and Audit Committee elected Dr. Cordes as its chairman.

In fiscal year 2006, the Accounting and Audit Committee also discussed all quarterly reports of METRO AG before their release. Other significant advisory issues during the reporting period were the makeup of notifications of major stockholders about their shareholdings pursuant to the German Securities Trading Act, risk management in the METRO Group and preparation of the Supervisory Board's decision to conclude the auditing contract with the auditing firm. In the process, the committee passed on recommendations to the Supervisory Board about the focal points of the audit. These points were approved in turn by the board.

The Personnel and Nominations Committee met three times during fiscal year 2006. These meetings – held jointly with the Presidential Committee – took place in March, July and December. In addition, the committee also made three decisions outside the context of a meeting. During the reporting period, the Personnel and Nominations Committee concentrated particularly on membership changes in the Management Board and on the extension of Mr. Unger's contract for the Management Board. Other key issues handled by the committee were the compensation and remuneration systems of Management Board members and their professional activities outside the METRO Group.

The Presidential Committee held a total of six meetings, including three with the Accounting and Audit Committee (in March, May and September 2006) as well as with the Personnel and Nominations Committee (in March, July and December 2006). In April 2006, the Presidential Committee discussed as part of a decision-making process conducted outside the context of a meeting the sale of METRO AG's remaining shares in the Praktiker group.

The Mediation Committee did not have to meet.

CORPORATE GOVERNANCE

The Management Board and the Supervisory Board report about the METRO Group's corporate governance in the Corporate Governance Report for 2006.

At the end of fiscal year 2006, the Management Board and the Supervisory Board of METRO AG issued an unlimited Declaration of Compliance with regard to the recommendations of the Government Commission on the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act and made it permanently available to stockholders at the Internet site www.metrogroup.de. The full Declaration of Compliance appears in the Corporate Governance Report 2006.

Before the Supervisory Board's meeting in March 2006, the auditor issued a declaration of autonomy required under Clause 7.2.1 of the German Corporate Governance Code. The requirements of Clause 7.2 of the German Corporate Governance Code governing the contractual relationship between the company and its auditors have been fulfilled. Among other things, it was agreed that the auditors would promptly inform the Chairman of the Supervisory Board about any disqualification or bias issues that might arise during the audit. Throughout the audit cycle, the auditor never reported any disqualification or bias issues to the Supervisory Board. Furthermore, the Supervisory Board never had any reason to believe that there were ever any disqualification or bias reasons.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2006, REPORT ON RELATIONS WITH ASSOCIATED COMPANIES 2006

The set up annual financial statements of METRO AG, in consideration of accounting, for fiscal year 2006 that were submitted by the Management Board pursuant to regulations laid down in the German Commercial Code and the METRO AG management report for 2006 as well as the consolidated financial statements 2006 compiled by METRO AG according to International Financial Reporting Standards (IFRS) and the group's management report 2006 were reviewed by KPMG and were given unqualified approval. The auditor provided a written report about the findings.

In the reporting year, the auditing focal point set by the Supervisory Board was the processing of payment receipts in the METRO Group. The Supervisory Board reviewed the annual financial statements of METRO AG and the consolidated financial statements for fiscal year 2006, the management report of METRO AG and the group's management report for fiscal year 2006 as well as the Management Board's proposal to the annual general meeting 2007 on the appropriation of the balance sheet profit. For this purpose, these documents and the reports of the auditor were provided in a timely manner to the Supervisory Board, and were discussed and reviewed in detail during the Supervisory Board's annual accounts meeting held in March 2007.The auditor attended this meeting, reported the key findings of the reviews, and was at the Supervisory Board's disposal to answer questions and to provide additional information. The Supervisory Board concurred with the findings of the auditor's review, which found no reason to raise objections. In a concluding finding of its own review, the Supervisory Board determined that no objections have to be made. The Supervisory Board, in particular, supports the conclusions reached by the Management Board in the management report of METRO AG and the group's management report. The Supervisory Board endorses the annual financial statements set up by the Management Board. As a result, the annual financial statements of METRO AG 2006 have thus been adopted. The Supervisory Board also supports the Management Board's proposed appropriation of the balance sheet profit.

Pursuant to § 312 of the German Stock Corporation Act, the Management Board of METRO AG wrote a report about relations with associated companies for fiscal year 2006. The auditor reviewed this report, issued a written statement about the findings of the review and issued the following opinion:

"After our due audit and assessment, we confirm that

1. the factual information in the report is correct,
2. in the legal transactions listed in the report, the company's expenses were not inappropriately high."

This report was submitted to the Supervisory Board together with the audit report in a timely manner, and was discussed and reviewed particularly in terms of thoroughness and accuracy during the annual accounts meeting of the board held in March 2007. The auditor attended this meeting, reported the key findings of the review, and was at the Supervisory Board's disposal to answer questions and to provide additional information. The Supervisory Board concurred with the findings of the auditor's review. In a concluding finding of its own review, the Supervisory Board determined that no objections have to be made with respect to the statement of the Management Board at the conclusion of the report.

The aforementioned reviews by the Supervisory Board of the annual and consolidated financial statements 2006, the management reports 2006, the proposed appropriation of the balance sheet profit and the Management Board's report about relations with associated companies 2006 were prepared during a joint meeting by the Presidential Committee and the Accounting and Audit Committee in March 2007. During this meeting, the committees thoroughly reviewed and discussed the annual and consolidated financial statements, the management reports, the auditing reports of the auditor, the proposal on the appropriation of the balance sheet profit, the Management Board's report on relations with associated companies and the associated auditing review in the presence of the auditor. The committees recommended that the Supervisory Board approve the set up financial statements and endorse the Management Board's recommendation for appropriation of the balance sheet profit.

NOTES ON STATEMENTS PURSUANT TO §§ 289 SECTION 4, 315 SECTION 4 OF THE GERMAN COMMERCIAL CODE

The management report of METRO AG and the group's management report for fiscal year 2006 contains statements pursuant to § 289 Section 4 of the German Commercial Code or § 315 Section 4 of the German Commercial Code, respectively. It is the view of the Supervisory Board that these statements comply with legal requirements. The management report and the group's management report describe the composition of METRO AG's capital stock and the rights attached to the common and preferred shares of METRO AG. In addition, it is reported that, according to information of the Management Board, an agreement to coordinate the exercise of voting rights from shares in METRO AG has been reached among individual companies listed in the management report. Furthermore, the direct and indirect stakes (in accordance to § 22 of the German Securities Trading Act) in the capital stock of METRO AG that exceed 10 percent of voting rights are listed. The Management Board's statements are based on notifications that METRO AG received in fiscal year 2006 pursuant to § 21 of the German Securities Trading Act. The legal and Articles of Association regulations governing the appointment and removal of members of the Management Board as well as those addressing changes in the Articles of Association are quoted. The authority of the Management Board to issue or buy back stock, particularly the authority to acquire the company's own shares, as decided by the annual general meeting on May 18, 2006, is discussed. The termination rights associated with three consortium loan contracts of METRO AG are described. Under these conditions, the lending banks can cancel each contract and can demand back an issued loan if the credit rating of METRO AG should be downgraded as a result of a change in controlling interests at METRO AG. Finally, the rights of two Management Board members in connection with a control and strategy change at METRO AG are presented.

APPOINTMENTS AND RESIGNATIONS

Prof. Dr. Siegert resigned from his positions as a member and chairman of the Supervisory Board at the end of February 4, 2006, ending his service on the Supervisory Board of METRO AG. With the resolution of the Düsseldorf District Court, Dr. Eckhard Cordes was appointed to the Supervisory Board as the successor to Prof. Dr. Theo Siegert effective February 5, 2006. During an extraordinary meeting in February 2006, the Supervisory Board elected Dr. Eckhard Cordes as its new Chairman. In accordance to the German Corporate Governance Code, Dr. Cordes resigned from his office at the end of the annual general meeting in 2006. On May 18, 2006, this meeting elected Dr. Cordes as a member of the Supervisory Board of METRO AG. On the same day, the Supervisory Board reelected Dr. Cordes as chairman.

On May 18, 2006, the annual general meeting elected Mr. Küpfer to the Supervisory Board of METRO AG. Mr. Küpfer was named a member of the Supervisory Board in fiscal year 2005 with the resolution of the Düsseldorf District Court. Under the German Corporate Governance Code, this appointment was limited to the end of the regularly scheduled annual general meeting in 2006.

As a result of the initial public offering by Praktiker Bau- und Heimwerkermärkte Holding AG, Ms. Grewenig left the Supervisory Board on November 24, 2005, pursuant to the regulations of the German Codetermination Act. As her successor, Mr. Stieger became a member of the Supervisory Board of METRO AG on January 4, 2006, with the resolution of the Düsseldorf District Court.

Düsseldorf, in March 2007

THE SUPERVISORY BOARD

Dr. Eckhard Cordes
Chairman

METRO STOCK

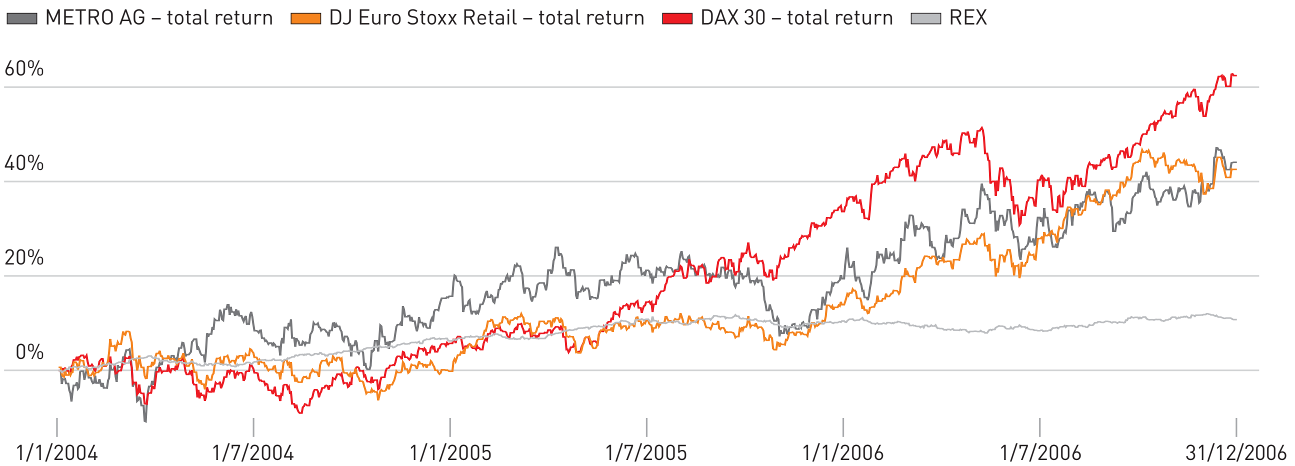
The stock markets continued their upward trend in 2006. Higher interest rates and oil price increases initially had no negative impact on global stock markets. But the rally was interrupted in mid-May by inflation fears and concerns about a possible economic downturn. Although a consolidation had been expected, its extent and severity surprised the markets. Volatility on some major capital markets matched emerging market levels. Stock price gains achieved since the beginning of the year were wiped out at mid-year. By the middle of August, though, the markets recovered, helped by declining prices for raw materials and positive corporate news. A rally in the second half of the year pushed the German blue-chip index DAX to 6,596.92 points by year's end. It was the highest level since 2001. With an overall gain of 22.0 percent, the index closed in positive territory for the fourth consecutive year.

The DAX reached highest level since five years

Until May, the common stock of the METRO Group moved in sync with the DAX. During May's consolidation, its losses were less than the index's. Investors looking for less cyclical shares had rediscovered consumer stocks. The Metro stock profited from this change in investor preferences, and it markedly outpaced the DAX index during the following months. The market placement of a package of shares held by one of the original stockholders temporarily weighed on the stock price in mid-September. But it recovered promptly. Throughout the rest of the year, the Metro stock managed to largely maintain its price level before joining the positive market trend in December. With dividends factored in, our stock gained 21.1 percent compared with the previous year, meaning that its overall performance in 2006 trailed the DAX's level only slightly. Excluding dividends, the Metro stock gained 18.4 percent.

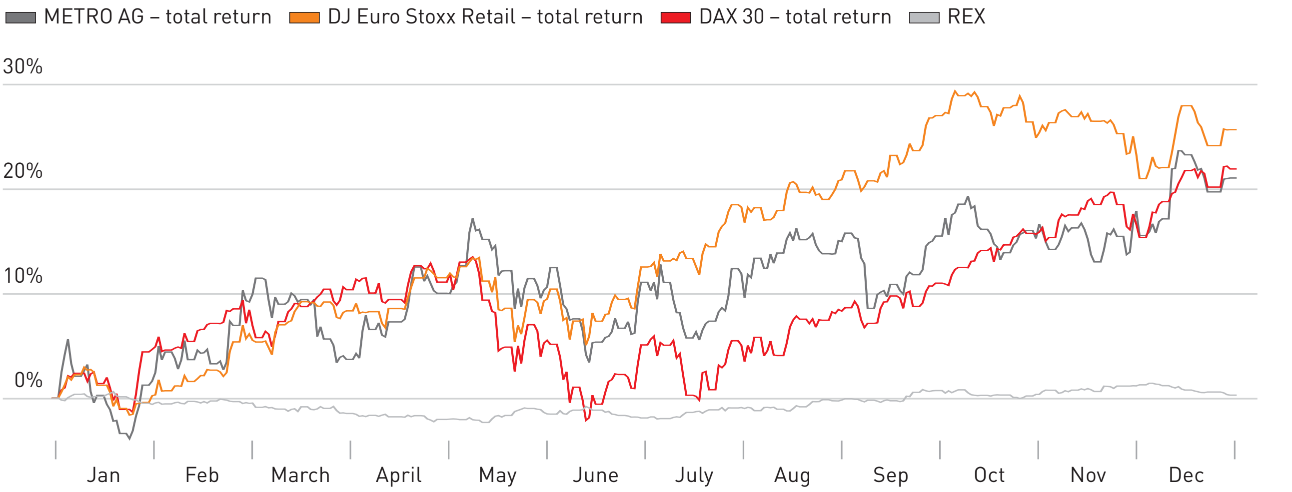
Including dividend, Metro stock increased 21.1 percent

PERFORMANCE OF METRO COMMON STOCK 2004–2006[1]



[1]Metro common stock with dividend reinvestment, Dow Jones Euro Stoxx Retail and DAX 30 indexed at 100. Source: Bloomberg

STOCK PRICE OF METRO COMMON STOCK 2006[1]



[1]Metro common stock with dividend reinvestment, Dow Jones Euro Stoxx Retail and DAX 30 indexed at 100. Source: Bloomberg

Stock price developments in the European retail sector are tracked by the sector index Dow Jones Euro Stoxx Retail (DJES). The consumption climate and the outlook for retail and trade improved at the beginning of the reporting year, with particularly strong growth in France during 2006 resulting in above-average stock price gains for French trade and retail companies. In addition, the index performance was driven by companies that managed a turnaround following broad restructuring efforts. As a result, the sector index posted stronger growth than the Metro stock and closed the year up 25.8 percent.

The Metro stock generated a markedly higher return than a risk-free investment. As bond prices fell, the REX index, a representative extract of the German market for government bonds with fixed interest rates and maturities of between 0.5 and 10.5 years, gained no more than 0.3 percent in 2006 despite the included interest payments. However, the Metro stock rose by 21.1 percent including dividends during the same period.

A person who invested €10,000 in Metro stock when it was listed for the first time in 1996 had €21,619 – including dividend reinvestment – in his or her securities account by the end of 2006. This amounts to an average annual return of 7.6 percent.

COMPARISON OF METRO COMMON STOCK PERFORMANCE 2006 AND 2004–2006 (TOTAL RETURN) VS. DJ EURO STOXX RETAIL VS. DAX 30 VS. REX

	METRO Group incl. dividend	DAX	Dow Jones Euro Stoxx Retail	REX
2006	21.1%	22.0%	25.8%	0.3%
2004–2006	45.3%	64.2%	43.8%	11.1%

MARKET CAPITALIZATION AND INDEX MEMBERSHIP

The market capitalization of the METRO Group totaled €15.8 billion at the end of December. This made the METRO Group one of Germany's biggest corporations and a member of the DAX blue-chip index. Our company was ranked 22nd in the index by free-float share and 17th in terms of overall market capitalization. The METRO Group was 23rd in terms of trading turnover. About 1.5 million shares of our common stock changed hands on an average trading day.

Aside from its DAX membership, the METRO Group is also represented in other important international indices, including the Dow Jones Euro Stoxx, the respective sector index Dow Jones Euro Stoxx Retail and the Morgan Stanley Capital International Euro (MSCI). In addition, the METRO Group is listed in the Dow Jones Sustainability World Index as well as the DivDAX, the index of the 15 DAX companies with above-average dividend yields.

For fiscal year 2006, the Management Board will propose an increased dividend of €1.12 per share of common stock and €1.232 per share of preferred stock at the annual general meeting on May 23, 2007. This would result in a dividend yield of 2.3 percent on the 2006 closing stock price for the Metro common stock. In relation to earnings per share from continuing operations before special effects, i. e. adjusted for effects from repositioning of Real including takeover of the Wal-Mart Germany group and the Géant business in Poland, in the amount of €2.64, the dividend yield would amount to about 42 percent. As in previous years, this will represent an attractive return for our stockholders.

INVESTOR RELATIONS

The dialogue with stockholders and analysts has a high priority at the METRO Group. The principles of fair disclosure apply to communications with the capital markets. These principles include timeliness, continuity, credibility and equal treatment. Our capital market communication efforts are a long-range undertaking and form an important part of a group strategy that is designed to generate sustainable value enhancement.

We gave a detailed account of developments in fiscal year 2005 at the annual analysts' meeting held in Düsseldorf. Like the conference calls for the quarterly results, the analysts' meeting was shown on the Internet. These regular investor relations events were complemented by a telephone conference regarding the acquisition of Wal-Mart's operations in Germany.

The METRO Group once again addressed investors and analysts at every important financial center in Europe and the United States in 2006. Our 10 conferences had a total of more than 2,000 participants. In addition, our company held 35 roadshow days, and numerous discussions and store tours at our Düsseldorf campus.

More than 40 analysts from all renowned national and international banks follow the METRO Group. They comment on its business activities and publish regular investment recommendations that we publish on our Investor Relations pages on the Internet. At the end of 2006, 31 percent of analysts recommended the Metro stock as a "buy." 50 percent called it a "hold," and 19 percent rated it a "sell."

Go to www.metrogroup.de/investorrelations for analyst recommendations, reports, presentations, stock chart tools, various downloads and much more

Our investor hotline (01802-725 750) answers private investors' questions about our company and its stock. In September, the METRO Group participated in the Düsseldorf stockholder forum organized by the German private investor association DSW. One month later, we took part in Germany's biggest stock market conference in Hamburg, which was attended by more than 5,000 people.

The broad range of information that we make available on the Internet rounds out our personal contact. Our Internet site scores in the upper tier of rankings by external institutes, particularly because of the comprehensive and detailed information that we present here. Increasing numbers of hits testify to the growing importance of this medium as well as to increased interest in the METRO Group.

The METRO Group's investor relations work has also fared exceedingly well in the rankings of external institutions. For example, the German investor relations association DIRK honored companies and their IR officers with the "Thomson Extel Survey Best IR in Germany Award" in May 2006. The METRO Group ranked ninth among DAX companies, with the investor relations team ranking second. And the METRO Group achieved the top ranking among European trade and retail companies in an institutional investor survey conducted by the Institutional Investor Research Group.

METRO STOCK 2004–2006

			2006	2005	2004
Annual closing price	Common stock	€	48.31	40.80	40.49
	Preferred stock	€	47.44	53.78	51.00
Annual high	Common stock	€	49.36	44.20	40.52
	Preferred stock	€	61.00	55.98	52.00
Annual low	Common stock	€	39.21	36.54	31.78
	Preferred stock	€	45.50	49.60	44.90
Dividend	Common stock	€	1.12[1]	1.02	1.02
	Preferred stock	€	1.232[1]	1.122	1.122
Dividend yield based on closing price for the year	Common stock	%	2.3[1]	2.5	2.5
	Preferred stock	%	2.6[1]	2.1	2.2
Market capitalization		€ billion	15.8	13.4	13.3

Data based on XETRA closing price
[1]Subject to approval by the annual general meeting

INFORMATION ABOUT THE METRO STOCK

	Common stock	Preferred stock
Code numbers	725 750	725 753
ISIN codes	DE 000 725 750 3	DE 000 725 753 7
Reuters codes	MEOG.DE	MEOG_p.DE
Bloomberg codes	MEO GR	MEO3 GR
Number of shares	324,109,563	2,677,966

02

GROUP MANAGEMENT REPORT

RIDING TOGETHER: THE EUROPEAN ROLLER COASTER

Fast-paced and **dynamic**, full of sharp turns and swooping highs and lows: the journey to European integration was by no means an easy ride. Its success, however, is incomparable. After 50 years of peace, freedom and prosperity, its people are hoping today that this development will not lose momentum. Because Europe's **forward-thinking attitude** calls for political and economic dynamism.

GROUP MANAGEMENT REPORT

HIGHLIGHTS OF FISCAL YEAR 2006

March	■ At the CeBIT trade fair, the METRO Group Future Store Initiative displays new retail technologies that we have developed with our partners in the consumer goods and IT industry. "Self-Check-outs," "Smart Scales" and above all the broad range of Radio Frequency Identification (RFID) applications attract visitors' attention. With its presentation, the METRO Group reaffirms its claim as a key contributor to the development of future-oriented retail technologies. ■ After entering the Romanian market, the Real sales brand is now operating in a total of five countries. ■ Continued development of international purchasing through an additional regional structure: we pool our cross-country and cross-divisional activities.
April	■ The METRO Group sells its remaining stake in Praktiker Bau- und Heimwerkermärkte Holding AG.
July	■ July 25, 2006: marking the occasion of its 10-year anniversary as a listed company, the METRO Group launches a series of communication and sponsoring campaigns, including the Germany-wide charity effort "Cook along," which benefits the Tafel-Bewegung (food banks), a German charity that provides food for the needy. ■ The METRO Group announces the takeover of the Polish activities of the French hypermarket chain Géant, a move that markedly expands Real's market presence in Poland. A short time later, the METRO Group announces the acquisition of Wal-Mart Germany. Since November 2006, the company's hypermarkets are integrated into Real's network of outlets and strengthen the sales division's position on the German market.
September	■ The opening of a Media Markt store in Sweden marks the sales division's debut in the Swedish market. ■ The first of four METRO Group regional procurement offices begins work in Milan.
October	■ The METRO Group presents the first comprehensive study on private consumption in Europe at the European Consumption Conference in Berlin. The groundbreaking study offers many fresh insights into similarities and differences in European consumer behavior. ■ The 600th location of the Media Markt sales brand is opened.
December	■ The Media Markt sales brand taps the fast-growing Russian market. With the opening of its first stores in Russia, it follows in the footsteps of the Metro Cash & Carry and Real sales divisions, which have already successfully established themselves in this market.

OVERVIEW OF FISCAL YEAR 2006 AND FORECAST

The METRO Group achieved its sales and earnings objectives for 2006, experiencing its strongest fiscal year of growth since 1998. The strategy of profitable growth and forceful international expansion moved forward.

Earnings position

- The METRO Group boosted sales by 7.5 percent in 2006, setting a record of €59.9 billion
- The group's international sales rose 12.4 percent to €33.5 billion
- Group EBIT reached €1,983 million, topping the previous year's level by 14.1 percent
- Earnings per share from continuing operations increased to €2.79 (previous year €1.54) or, adjusted for acquisitions, to €2.64 (comparable level for the previous year €2.47)

Finance and asset situation

- Investments, including acquisitions, rose by €882 million to €3.0 billion; adjusted for acquisitions, investments were slightly lower than a year earlier, at €2.0 billion
- Net debt fell by €630 million to €5,239 million
- The company's long-term rating remained unchanged: Baa2 (Moody's) and BBB (Standard & Poor's) with a stable outlook
- Cash flow from continuing operations rose by €1,229 million to €3,263 million
- Total assets climbed by €3,381 million to €32.1 billion. Equity grew by €734 million to €6,047 million, and the equity ratio increased by 0.3 percentage points to €18.8 percent

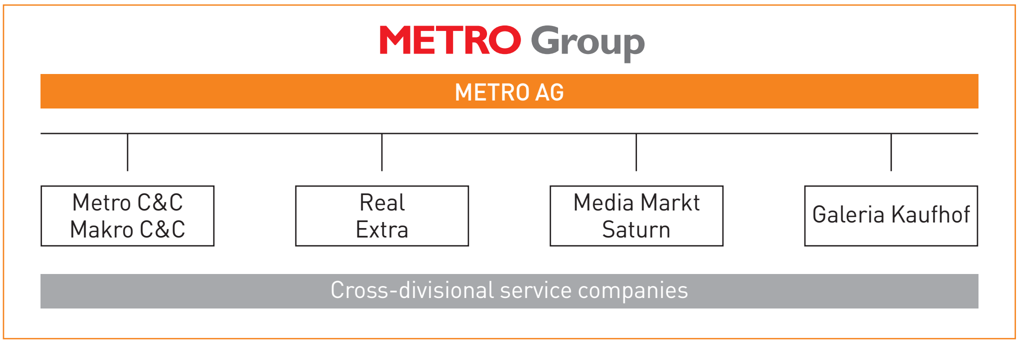
Forecast

- The METRO Group expects its strategy of profitable growth to lead to annual sales growth in the range of 6 percent and an even stronger increase in EBIT before special items over the medium term
- We project sales growth of 8 percent to 9 percent for fiscal year 2007 including the acquisitions of the Wal-Mart Germany group and the Géant business in Poland

I. GROUP STRUCTURE

Our group of companies is headed by METRO AG, which is based in Düsseldorf and acts as a strategic management holding company. The group's operative business is handled by four sales divisions that operate independently with proprietary merchandizing concepts and, in some cases, several sales brands in their respective market segments. Cross-divisional service companies support the sales divisions by providing group-wide and cross-divisional services in such areas as procurement, logistics, information technology and real estate management.

METRO GROUP AND ITS SALES BRANDS AT A GLANCE



OUR SALES BRANDS

Metro Cash & Carry is the global market leader in self-service wholesaling. Operating under the Metro and Makro brands, it is our biggest and most international sales division with operations in 28 countries. Its product assortment is geared exclusively toward commercial and wholesale customers.

Real is the market leader in the German and Polish hypermarket sectors. The sales division combines two food sales brands under one roof: Real and Extra. With locations in Germany, Poland, Romania, Russia and Turkey, Real represents the large-area hypermarket concept. Extra positions itself as a customer-friendly neighborhood store with supermarkets in Northern and Western Germany as well as in Berlin.

Europe's no. 1 consumer electronics centers: the Media Markt and Saturn sales brands impress with their innovative, high-performance and large-area merchandizing and marketing concepts. Both have been posting strong growth for the past few years and are rigorously expanding their leading market position in Europe.

Galeria Kaufhof is the concept and system leader in the German department store sector and the market leader in Belgium. The sales division's department stores help boost the appeal of shopping zones and city centers with their sophisticated, high-quality assortment presented in product worlds that have an event character.

GROUP-WIDE BUNDLING OF CENTRAL FUNCTIONS

Over the past 10 years, we have implemented a cross-divisional organization of central trade and retail functions, and have bundled these in cross-divisional service companies. This pooling of skills creates synergies that benefit all our sales brands – through cost advantages in procurement or special quality standards.

Procurement

Procurement is one of the key areas of competence of a retailing company. MGB METRO Group Buying organizes and is responsible for procurement on a national and international level. Strategic procurement offers all competitive advantages: lower prices, optimal conditions and consistently high quality standards. Our suppliers regard this procurement company as a strong and reliable partner who values long-term business relationships built on mutual trust.

We aim for consistently low procurement costs that allow us to offer our customers low retail prices. This is why the competitiveness and profitability of retailing companies depend to a great extent on the professional usage of synergies in procurement. In 2006, MGB optimized its organizational structures in order to better exploit cross-country and cross-divisional potential: as an umbrella organization, the newly founded MGBI METRO Group Buying International GmbH sets the strategic direction of four regional organizations – South, East, West and Central. These bundle the procurement activities for up to eight countries at a time. Thanks to their regional proximity to customers and suppliers, they can acquire tremendous market knowledge and respond even more flexibly to local customer requirements. MGB METRO Group Buying HK Limited based in Hong Kong is responsible for import and export trade with Asia.

Logistics

The right product at the right place at the right time – the ability to master the highly complex challenges related to trade and retail logistics represents an important success factor. Aside from cost efficiency and quality aspects, process safety and flexibility play a key role.

MGL METRO Group Logistics manages the global merchandise flows of the group companies. It oversees the smooth shipment and distribution among our stores.

Aside from central warehousing and distribution, MGL's successful work is based on a proprietary procurement logistics concept. This innovative plan, which has won much praise from experts, offers several benefits: warehousing costs can be reduced significantly as the merchandise collected at the manufacturer is bundled and delivered directly to stores. In addition, the number of deliveries at the stores' loading ramps declines – which produces cost advantages and environment benefits.

MGL works with especially high-performance logistics providers around the world. As international companies, they operate transportation networks and transshipment centers in all countries where the METRO Group is present.

Information technology

Managing group-wide data and information flows is just as demanding as managing merchandise flows. MGI METRO Group Information Technology, which has four subsidiaries in Poland, Romania, Russia and Turkey, handles this task. MGI develops merchandise management, logistics and data warehousing systems, among others, and operates one of Europe's biggest group networks. It provides the functionality and performance of the IT infrastructure across divisions, and on a national and international level.

Real estate management

Skillful real estate management is another important success factor in the retail trade. The multifaceted spectrum ranges from strategic location development through commercial, technical and infrastructure management to the integration of properties into the local social or cultural life. METRO Group Asset Management handles the construction and operation of real estate properties used by the METRO Group. It is one of Germany's major retail real estate managers and oversees about 650 METRO Group facilities. METRO Group Asset Management combines a high level of expertise in real estate with trade-specific know-how. Its regional area of activities covers 12 countries: Austria, France, Germany, Great Britain, Greece, Hungary, Italy, Luxembourg, Poland, Russia, Spain and Turkey.

II. ECONOMIC PARAMETERS

GLOBAL ECONOMIC DEVELOPMENTS

Trade with consumer goods profits from global boom

Global economic developments have a decisive impact on the national and international consumer goods trade. Global economic growth accelerated in 2006. Driven by positive developments in the world's major economic regions, global gross domestic product grew by a real 3.8 percent. Even the euro zone economy, which was sluggish a year earlier, gained momentum.

The countries of East Asia – in particular China – as well as Russia and Latin America experienced the strongest growth spurt. Among the established industrial nations, the United States remained the global economic engine: despite drastic jumps in energy prices and the absence of positive momentum on the real estate market, the U.S. economy grew by a real 3.3 percent, with domestic demand bolstering overall growth.

Asia's growth boosts global economy

Booming Asia continued to gain importance as a key driver of the global economy. China, for example, once again posted growth above 10 percent. Japan also profited from the strong global economy and continued its consolidation course, reaching 2.1 percent overall real economic growth. Next to China and Japan, India is the third Asian heavyweight that is likely to gain even more economic weight in the future. During the reporting year, India's gross domestic product grew by a real 8 percent. With real economic growth of about 6 percent, the emerging markets in southeast Asia also enjoyed favorable developments.

Western Europe – global economy fuels euro zone recovery

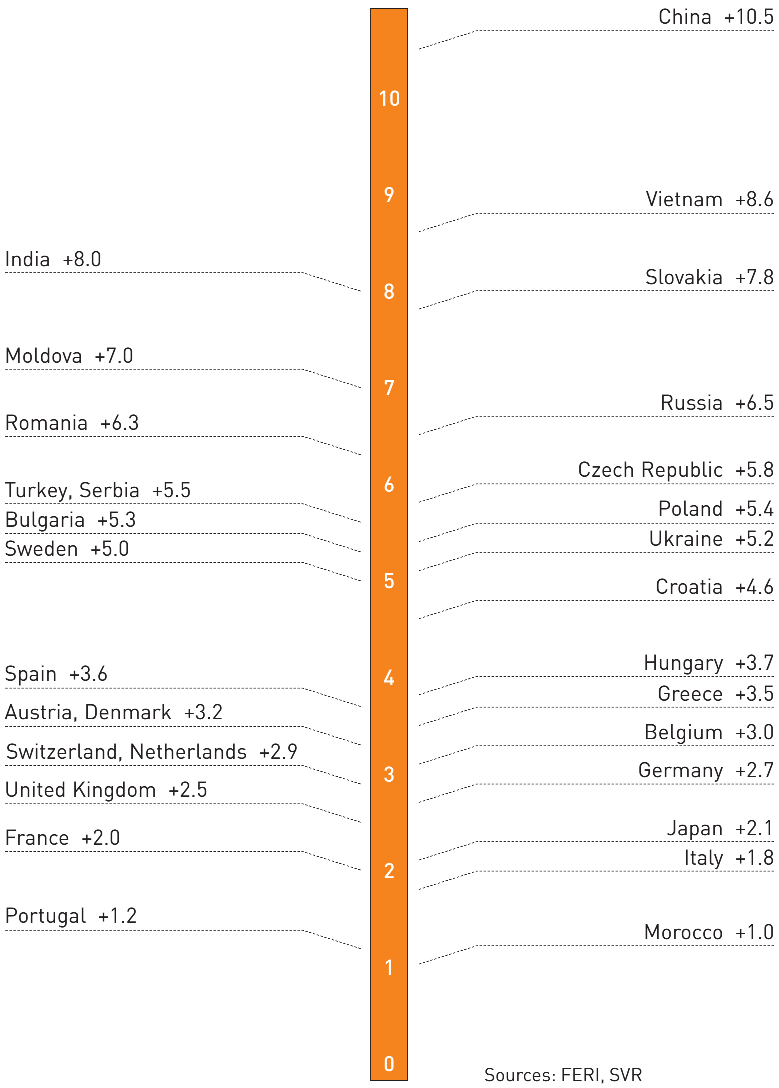
Economic growth gained speed in the 12 countries that use the common European currency in 2006: real gross domestic product in the euro zone increased by 2.7 percent. Luxembourg and Ireland recorded the highest growth rates. Portugal posted the weakest growth. Germany, France and Italy, which together account for about 45 percent of European gross domestic product, also managed to jump onto the growth bandwagon. Aside from the high export ratio, the key growth engine in Germany was equipment investment, which showed a strong increase of about 7 percent. This includes investments in machinery and vehicles. Construction investment also rose for the first time since 1999.

Eastern Europe – strong growth momentum in the new EU member states

Real gross domestic product rose by 5.7 percent in the Central and Eastern European member states of the European Union (including Bulgaria and Romania). The Polish market, a key focus market of the METRO Group as a result of its size and economic weight, also performed better than a year earlier. With real growth of 6.5 percent, the Russian economy also forged ahead on its expansion course. With real growth of 5.5 percent, Turkey, an EU accession candidate, experienced a continuation of trends witnessed in the previous fiscal year.

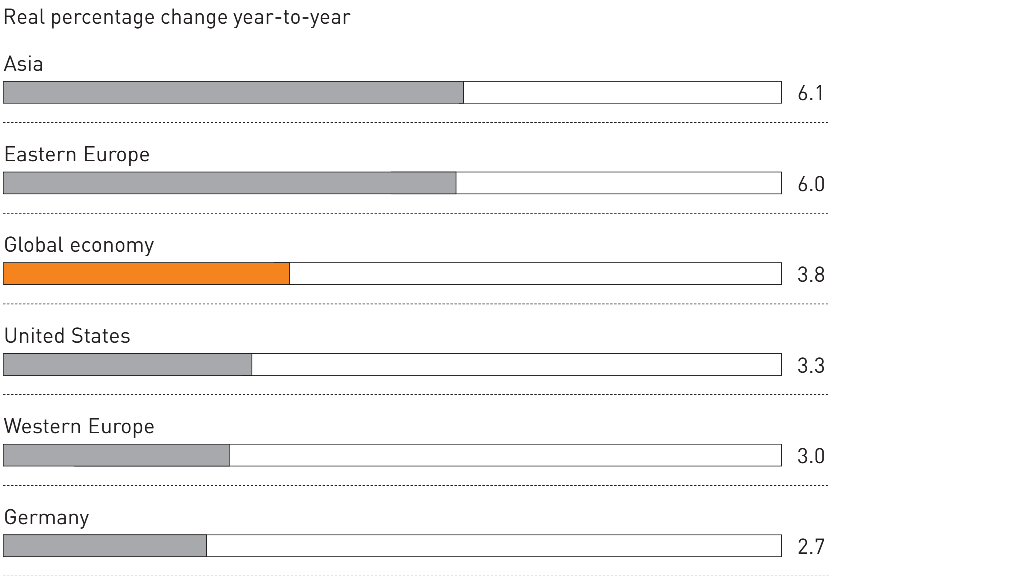
DEVELOPMENT OF GROSS DOMESTIC PRODUCT IN METRO GROUP COUTRIES IN 2006

Real percentage change year-to-year



Sources: FERI, SVR

DEVELOPMENT OF GROSS DOMESTIC PRODUCT IN GLOBAL REGIONS IN 2006



Source: FERI

GLOBAL TRADE

Trade boosts employment and wealth

Hardly any other area of the global economy has experienced similarly sustained structural changes as consumer goods retailing over the past few decades – both in the developed industrial nations and in global emerging markets. Free trade and fair competition are key preconditions for social welfare. The strength of trade infrastructure is therefore considered to be a good gauge of the level of economic development and the population's quality of life.

Global consumer goods retail of more than €8,500 billion

In 2006, global consumer goods retailers posted sales of more than €8,500 billion. That is more than five times as much as the production volume of the global automobile industry. The retail trade also plays a key role as an employer: More than 15 percent of all employees work in wholesale and retail trading. They generate nearly 12 percent of Europe's total gross value added.

Diverse retail momentum in the regions

Retail trends diverged between different international markets during the reporting year. Compared with the other major economic regions, for example, the Eastern European countries experienced the strongest momentum with almost double-digit growth in retail sales. The Asian retail sector posted sales growth in the middle single digits.

Western Europe and Germany

European trade also benefited from the global economic recovery. The Western European retail sector posted total sales growth of a real 1 percent. In 2006, retail sales growth reached a real 1.4 percent in Italy, the key laggard in 2005. Sweden posted nearly double-digit growth. German consumer goods trade, in turn, did not profit from the economic revival. While German retailers posted slight growth in nominal terms, narrowly defined retail sales growth – that is excluding motor vehicles, gas stations, pharmacies and fuel – stagnated at the year-earlier level. The year's two special effects – the FIFA World Cup and last-minute purchases before the increase in value-added tax on January 1, 2007 – failed to produce the expected boost to retail sales growth, too.

Western Europe: Moderate retail sales growth

Germany: stagnating development

Eastern Europe

The dynamic expansion of the retail trade in Eastern Europe picked up even more speed, nearly reaching double-digit growth rates. Poland continued to profit from the country's economic opening and EU membership. Retail sales growth in Russia roughly matched the year-earlier growth rate at a real 12 percent on the back of persistently high inflation.

High dynamic expansion of the retail in Eastern Europe and Asia

Asia

Retail sales in Asia remained strong with an increase in the middle single digits. China was once again the key driver of private consumption growth in the region. Like the previous year, Chinese retailers recorded sales increases by 4.9 percent. In Japan, buoyant economic growth failed to spill over into private demand, causing retailers to suffer a real sales decline.

METRO CASH & CARRY: TRENDS IN SELF-SERVICE WHOLESALING

The Metro Cash & Carry brand is the global market leader in the self-service wholesale segment and continues to strengthen this position through rigorous internationalization.

Self-service wholesaling generated a marginal sales growth in Germany during the reporting year. The only positive impulse came from the FIFA World Cup as a result of its importance to the hotel and gastronomy sector, a key customer group for Metro Cash & Carry.

Altogether, market volumes changed slightly positive in the other Western European countries where Metro Cash & Carry is represented. Sales trends in the cash & carry segment ranged from a moderate increase in Italy and France to stronger growth rates for example in Spain.

Modest growth in Western Europe

Strong momentum in Eastern Europe

The sector experienced strong growth in Eastern Europe. Bolstered by the continued expansion of the cash & carry format and favorable macroeconomic parameters, self-service wholesaling boomed in such countries as Croatia, Czech Republic, Romania, Russia and Ukraine.

Promising growth opportunities in Asia

Cash & carry is still a fledgling merchandizing format in the markets of East Asia. As a result, Metro Cash & Carry has only a few system competitors in these countries. The niche format position offers substantial growth opportunities that Metro Cash & Carry taps through the continued expansion of its outlet network. The sales growth generated in China, India, Japan and Vietnam in 2006 underscored the growth trend.

REAL: FOOD RETAILING TRENDS

Aside from Germany, Poland, Russia and Turkey, the Real sales brand has been active in Romania since March 2006. With its acquisition of Wal-Mart in Germany and Géant in Poland, Real has secured market leadership in the hypermarket segment in both countries. The sales division also expanded its market position in its other foreign markets. Extra positioned itself as a major regional supermarket chain.

Moderate growth in German food retailing

Food retailers recorded moderate overall growth in Germany in 2006. However, hypermarkets outside city centers with a selling space of more than 5,000 square meters and a focus on food products suffered sales declines. Among other things, this was due to the constantly high gasoline prices which caused consumers to turn to neighborhood stores for some of their daily food purchases. Supermarkets with a selling space of 800 to 5,000 square meters achieved nominal sales growth thanks only to an expansion of the format. Meanwhile, discounters managed to expand their market share again as they profited from the proximity to the customer as well as consumers' distinct price sensitivity.

Positive market trends in Eastern Europe

Thanks partly to an expansion of large-area stores and consumers' growing demand for modern sales formats, the hypermarket segment gained market share in the foreign food retail markets of Poland, Romania, Russia and Turkey. Meanwhile, increasing market consolidation can already be observed in Poland and Russia, in particular.

MEDIA MARKT AND SATURN: TRENDS IN CONSUMER ELECTRONICS RETAILING

During the past fiscal year, the Media Markt and Saturn group of companies continued to expand its undisputed market leadership in German and European consumer electronics retailing on the back of densified location portfolios and continued geographic expansion, including market entry in Sweden and Russia.

Moderate sales growth in German consumer electronics retailing

On average, German consumer electronics retailers recorded slight sales increases in a difficult market environment. Stronger consumption ahead of the increase in value-added tax and new television technologies that met with particularly strong interest in the run-up to the FIFA World Cup even resulted in double-digit sales growth in the entertainment electronics segment. At the same time, the segments information technology, telecommunications and photography regressed.

Growth in Western Europe

Consumer electronics sales increased in nearly all other Western European countries covered by Media Markt and Saturn. Only Austria experienced a slight sales decline. The Media Markt and Saturn sales brands expanded their market position in all Western European markets including Germany.

Continued pent-up demand in Eastern Europe

Customers' interest in new technologies and pent-up demand for first-time purchases of classic electronic products characterize Eastern European consumer electronics retailing. These growth factors once again dominated market developments in 2006. The sales brands generated strong growth in Hungary and Poland.

GALERIA KAUFHOF: TRENDS IN THE DEPARTMENT STORE BUSINESS

The Galeria Kaufhof sales brand continued to expand its system and concept leadership in the German department store sector in 2006.

Competition in the German market continued to intensify in 2006. Compared with the retail sector as a whole, department stores continued to lose market share in a challenging industry environment. Meanwhile, department store sales in Belgium continued the past years' positive trends.

III. EARNINGS POSITION

OVERVIEW OF GROUP BUSINESS DEVELOPMENTS

The METRO Group can look back on positive business developments in 2006. The company continued to solidify its position as one of the most important and biggest international retailing groups in terms of sales. With slight sales growth in Germany and a strong increase abroad, group sales reached a record of €59.9 billion. The sales and earnings growth momentum was particularly strong in Eastern Europe. The foreign share of group sales climbed to 55.9 percent. Our continued international expansion made another significant contribution to the business success of the METRO Group. Group EBIT amounted to €1,983 million, exceeding the year-earlier amount by 14.1 percent.

SALES AND EARNINGS DEVELOPMENTS

In fiscal 2006, the METRO Group raised group sales by 7.5 percent to €59.9 billion (previous year €55.7 billion). It was the highest growth rate since 1998. Sales growth accelerated significantly compared with the previous year. The sales volume generated by the newly acquired Géant hypermarkets and Wal-Mart stores was included since November 1, 2006. It contributed to our positive business development in the amount of €494 million. Without these acquisitions, group sales rose by 6.6 percent in the reporting year, with exchange rate effects accounting for +0.2 percentage points of this.

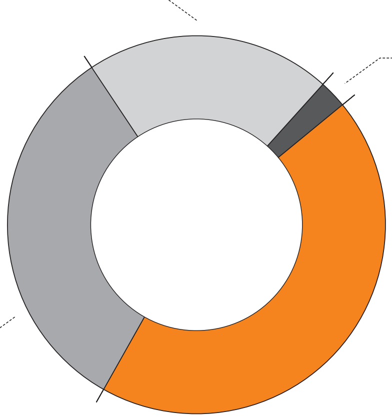
Our German sales increased by 1.8 percent to €26.4 billion in 2006 (previous year €25.9 billion). Adjusted for the acquisition of Wal-Mart's stores, domestic sales were 0.3 percent higher than a year earlier. Group sales abroad rose by 12.4 percent to €33.5 billion (previous year €29.8 billion). At 55.9 percent, the foreign share of group sales reached a record high. Excluding the newly acquired Géant hypermarkets in Poland, foreign sales were up 12.0 percent. Exchange rate effects boosted foreign sales by +0.3 percentage points. Group sales were up by 8.1 percent to €19.4 billion in Western Europe (previous year €18.0 billion). Particularly strong growth was again generated in Eastern Europe, where sales increased by 18.6 percent to €12.6 billion (previous year €10.6 billion). The METRO Group generated sales growth of 20.2 percent to €1.4 billion in Asia/Africa.

DEVELOPMENT OF GROUP SALES BY SALES DIVISIONS AND REGIONS (NET[1])

	2006 € million	2005 € million	Change € million	Change %
Metro Cash & Carry	29,907	28,087	1,820	6.5
Real	10,378	9,922	456	4.6
Media Markt and Saturn	15,156	13,306	1,850	13.9
Galeria Kaufhof	3,609	3,575	34	0.9
Other companies	832	832	0	−0.2
METRO Group	**59,882**	**55,722**	**4,160**	**7.5**
of which Germany	26,427	25,948	479	1.8
of which abroad	33,455	29,774	3,681	12.4
Western Europe	19,439	17,976	1,463	8.1
Eastern Europe	12,592	10,614	1,978	18.6
Asia/Africa	1,424	1,184	240	20.2

[1]Sales represent external sales without sales taxes and after the deduction of trade discounts

REGIONAL GROUP SALES 2006 IN PERCENT



Group EBIT of the METRO Group rose to €1,983 million in 2006. Adjusted for the effects of Real's repositioning including the acquisitions of the Wal-Mart Germany group as well as the Géant business in Poland, EBIT reached €1,910 million, an increase of 9.9 percent compared to €1,738 million a year earlier. EBIT in Germany increased to €668 million from €535 million, thanks both to the acquisition of the Wal-Mart Germany group and positive earnings developments at Media Markt and Saturn.

The key impulse came once again from the group's foreign business, which posted a strong increase in earnings of 7.9 percent to €1,310 million. In Eastern Europe, in particular, EBIT rose by 30.0 percent to €636 million.

Group EBITDA increased from €2,938 million to €3,233 million in fiscal year 2006.

DEVELOPMENT OF GROUP AND DIVISIONAL EBIT

	2006	2005	Change	
	€ million	€ million	€ million	%
Metro Cash & Carry	1,111	1,013	98	9.7
Real	45	−12	57	–
Media Markt and Saturn	587	510	77	15.2
Galeria Kaufhof	82	69	13	18.1
Other companies/consolidation	158	158	0	0.1
EBIT METRO Group	1,983	1,738	245	14.1
Financial result	−449	−380	−69	−18.3
Earnings before taxes	1,534	1,358	176	13.0
Income taxes	−484	−740[1]	256	34.5
Earnings from continuing operations	1,050	618	432	69.8

[1]In 2005, special effect from write-downs on deferred tax assets from loss carry-forwards at Real Germany of €307 million

SALES AND EARNINGS DEVELOPMENTS OF THE SALES DIVISIONS

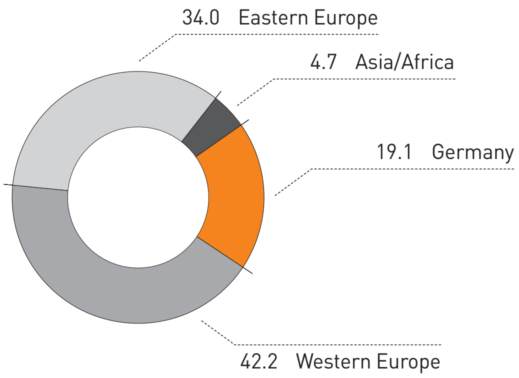
Metro Cash & Carry

As a result of its persistent international expansion in particular, Metro Cash & Carry managed to continue its strong growth: the sales division posted **sales** of €29.9 billion, up from €28.1 billion a year earlier. Adjusted for currency effects, sales rose 6.2 percent. Like-for-like sales increased by 1.9 percent. These successes underscored the sales brand's role as one of the group's key growth drivers.

Compared with the previous year, sales of Metro Cash & Carry in Germany fell by 0.8 percent to €5.7 billion. Like-for-like, the decline amounted to 1.6 percent. The sales division raised its foreign sales to €24.2 billion (previous year €22.3 billion), an increase of 8.4 percent – or 8.0 percent adjusted for currency effects. Metro Cash & Carry recorded disproportionately strong growth in Russia, where sales were up 39.8 percent to €2.0 billion, as well as in Ukraine, where sales rose by €277 million to €615 million. The expansion of the outlet network had a positive effect on sales in both countries. The already high foreign sales ratio increased again from 79.5 percent to 80.9 percent.

REGIONAL SALES OF METRO CASH & CARRY 2006

in percent



Metro Cash & Carry pushed ahead with its international expansion in 2006, strengthening its global market leadership in the hypermarket segment. During the year, the sales brand opened a total of 41 new stores, including 3 in Germany and 38 abroad. The international expansion focused on Eastern Europe in particular, with 24 additional locations. A total of 9 stores were added in Russia alone. Metro Cash & Carry expanded its Asian sales network by 9 stores and added 5 stores to its Western European network, excluding Germany. The domestic market position was strengthened with the opening of a new store in Berlin and 2 smaller stores. As the group's most international sales brand, Metro Cash & Carry operated 584 locations in 28 countries at the end of 2006. Its total selling space amounted to more than 4.5 million square meters.

Despite the costs related to the sales brand's international expansion, **EBIT** at Metro Cash & Carry rose by 9.7 percent to €1,111 million (previous year €1,013 million). That means the EBIT margin was slightly higher than a year earlier. The strong foreign business, in particular in Eastern Europe, made a substantial contribution to this development. These positive earnings trends underscored the high earnings strength of our cash & carry stores.

SALES AND EBIT OF METRO CASH & CARRY 2006 COMPARED TO THE PREVIOUS YEAR

			Change in %	
	2006	2005	total	like-for-like
Sales in € million	29,907	28,087	6.5	2.2
Germany	5,698	5,746	−0.8	−1.6
Western Europe	12,632	12,338	2.4	1.2
Eastern Europe	10,160	8,837	15.0	5.2
Asia/Africa	1,417	1,166	21.5	8.7
EBIT in € million	1,111	1,013	9.7	–
EBIT margin in %	3.7	3.6	–	–
Number of locations[1]	584	544	–	–
Selling space (in 1,000 m^2)[1]	4,507	4,218	6.9	–

[1]As of December 31

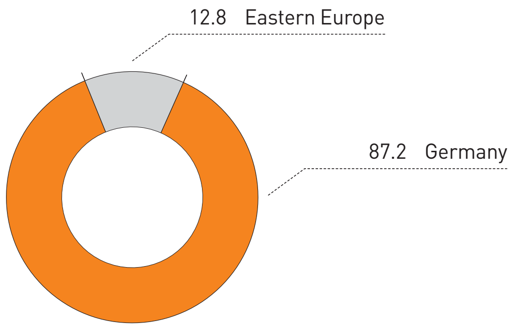
Real

Real posted **sales growth** of 4.6 percent to €10.4 billion in 2006 (previous year €9.9 billion). The increase was attributed mostly to the acquisition of the Polish stores of Géant and those of Wal-Mart Germany.

Sales growth in Germany was based mostly on the takeover of the Wal-Mart Germany group, which was consolidated as of November 1. Sales in the previous network declined by 3.3 percent. Following a difficult first quarter, Real's business stabilized during the rest of 2006. All in all, consumers' persistently high price sensitivity and high gasoline prices impacted business developments. The latter prevented many consumers from buying at the hypermarkets, which are generally located outside city centers and residential areas.

REGIONAL SALES OF REAL 2006

in percent



The sales brand rigorously continued its targeted expansion in Eastern Europe: since the Romanian market entry in March 2006, 8 new stores were opened in that country, all of which subsequently showed positive sales developments. 3 stores were opened in Russia, one store was taken over from another company in the process.

Overall, the retail network comprised 701 stores by the end of the reporting year (previous year 592 stores): Real was represented in 371 domestic and 71 foreign locations. The German Extra sales network consisted of 259 supermarkets.

Real's **EBIT** amounted to €45 million in fiscal year 2006 after €–12 million a year earlier. Real's repositioning, including the acquisitions of the Wal-Mart Germany group and the Géant business in Poland, contributed €44 million in earnings. This includes a negative earnings contribution of €33 million from Wal-Mart Germany's current business and Géant's Polish business. Badwill earnings of €410 million and expenses of €62 million for the restructuring of central departments as well as €271 million in expenses for measures in connection with the store network contributed net earnings of €77 million. Intra-group provisions account for €28 million of expenses for measures in connection with the store network. These provisions impact Real's segment result, but do not burden group earnings. In addition, the result includes higher start-up costs for the selective expansion in Eastern Europe.

For further information to the acquisitions, see the notes to the consolidated financial statements, chapter "Notes on business combinations".

SALES AND EBIT OF REAL 2006 COMPARED TO THE PREVIOUS YEAR

	2006	2005	Change in % total	Change in % like-for-like
Sales in € million	10,378	9,922	4.6	–2.0
Germany	9,051	8,956	1.1	–2.4
Eastern Europe	1,327	966	37.4	1.3
EBIT in € million	45	–12	–	–
EBIT margin in %	0.4	–0.1	–	–
Number of locations[1]	701	592	–	–
Selling space (in 1.000 m²)[1]	3,601	2,693	33.7	–

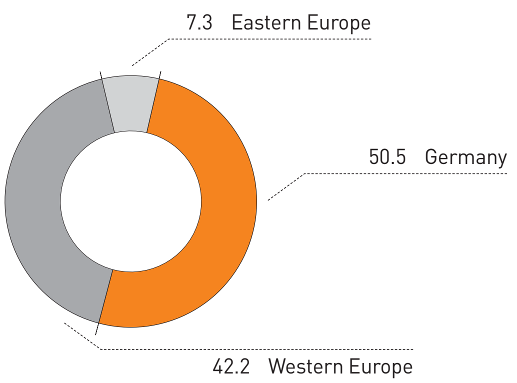
[1]As of December 31

Media Markt and Saturn

Our Media Markt and Saturn sales brands continued to solidify their leading position in European consumer electronics retailing: they boosted their sales to €15.2 billion from €13.3 billion, which corresponds to an increase of 13.9 percent. Like-for-like sales rose 3.0 percent compared with the previous year.

REGIONAL SALES OF MEDIA MARKT AND SATURN 2006

in percent



Sales in Germany increased to €7.6 billion from €7.2 billion. Media Markt and Saturn thus managed to exceed the previous year's already high level by an additional 5.6 percent. On a like-for-like basis, domestic sales increased by 0.4 percent despite the continued consolidation of the outlet chain. The sales division once again posted double-digit sales growth abroad: its foreign sales volume rose by 23.9 percent to €7.5 billion (previous year €6.1 billion). The foreign share of total sales increased to 49.5 percent from 45.6 percent.

Media Markt and Saturn also continued to expand their international presence with 64 new locations, including 42 abroad. Media Markt and Saturn opened 8 and 14 new consumer electronics centers in Germany, respectively. Outside Germany, Media Markt and Saturn opened 33 and 9 new stores, respectively. At the end of 2006, our sales division confirmed its claim to European market leadership with its entry into the Swedish and Russian markets. The division now operates 621 consumer electronics centers with a total selling space of 1.9 million square meters in 14 countries.

With its comprehensive, attractive and promptly deliverable product assortment, Media Markt's electronic shopping platform, MediaOnline, has also proven popular with customers, as reflected in its high sales growth rates. MediaOnline has established itself as one of the leading online trade platforms in the German consumer electronics sector.

Despite the highly competitive market environment and the cost of market entry in Russia and Sweden, the consumer electronics centers continued their earnings growth both in Germany and in the sales division's foreign markets – particularly in the Netherlands, Poland and Spain. As a result, the sales division's **EBIT** rose by 15.2 percent to €587 million. This increase, which was achieved amid the division's continued fast expansion, underscored the high earnings strength of Media Markt and Saturn. It also testified to the sales brands' successful implementation of their merchandizing concept across Europe.

SALES AND EBIT OF MEDIA MARKT AND SATURN 2006 COMPARED TO THE PREVIOUS YEAR

			Change in %	
	2006	2005	total	like-for-like
Sales in € million	15,156	13,306	13.9	3.0
Germany	7,649	7,244	5.6	0.4
Western Europe	6,403	5,253	21.9	5.0
Eastern Europe	1,104	809	36.6	13.7
EBIT in € million	587	510	15.2	–
EBIT margin in %	3.9	3.8	–	–
Number of locations[1]	621	558	–	–
Selling space (in 1.000 m²)[1]	1,914	1,704	12.3	–

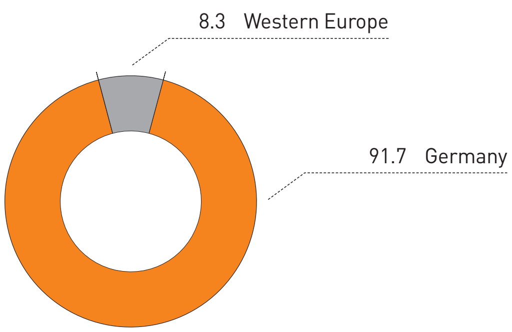
[1]As of December 31

Galeria Kaufhof

At €3,609 million, **sales** of our sales division Galeria Kaufhof were 0.9 percent higher than the previous year's figure of €3,575 million. Like-for-like, sales declined slightly by 0.6 percent. After a generally positive first half, the mild autumn and winter weather dampened business in the clothing segment in Germany. The Christmas business, in turn, was satisfactory, thanks in part to the introduction of longer shopping hours in Germany. Continuing on their positive growth course, the Belgian Galeria Inno department stores boosted sales by 7.7 percent to €298 million.

REGIONAL SALES OF GALERIA KAUFHOF 2006

in percent



During the reporting year, our sales division focused above all on sharpening its profile as a lifestyle provider. As Galeria Kaufhof's biggest store and a prototype of the new "global city department store," the flagship store that was reopened on Berlin's Alexanderplatz in May 2006 gave positive momentum to the sales division's sales growth. At the end of 2006, Galeria Kaufhof operated a total of 142 department stores, including 101 Galeria outlets.

Compared with the previous year, Galeria Kaufhof's **EBIT** rose by 18.1 percent to €82 million during the reporting year. This increase is due partly to rigorous cost optimization and was realized despite reinforced inventory management.

SALES AND EBIT OF GALERIA KAUFHOF 2006 COMPARED TO THE PREVIOUS YEAR

			Change in %	
	2006	2005	total	like-for-like
Sales in € million	3,609	3,575	0.9	−0.6
Germany	3,311	3,298	0.4	−1.2
Western Europe	298	277	7.7	6.7
EBIT in € million	82	69	18.1	–
EBIT margin in %	2.3	1.9	–	–
Number of locations[1]	142	142	–	–
Selling space (in 1,000 m²)[1]	1,487	1,465	1.5	–

[1]As of December 31

Other companies/consolidation

In addition to the consolidation the category "Other companies/consolidation" comprises METRO AG, the cross-divisional service companies, the Adler fashion stores as well as our gastronomy group Dinea. In this segment, both **sales** and **EBIT** remained virtually unchanged in comparison to the year-earlier level.

PORTFOLIO OF LOCATIONS

LOCATIONS PER COUNTRY

	Metro C&C		Real		Media Markt and Saturn		Galeria Kaufhof		Other companies		METRO Group	
Country	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Germany	120	117	630	552	340	318	127	127	312	313	1,529	1,427
Austria	12	12			28	25			16	20	56	57
Belgium	9	9			11	9	15	15			35	33
Denmark	4	4									4	4
France	86	84			24	24					110	108
Italy	47	46			76	65					123	111
Luxembourg									2	2	2	2
Netherlands	16	16			23	21					39	37
Portugal	10	10			4	4					14	14
Sweden					2						2	
Switzerland					17	16					17	16
Spain	34	33			39	29					73	62
United Kingdom	33	33									33	33
Western Europe[1]	**251**	**247**			**224**	**193**	**15**	**15**	**18**	**22**	**508**	**477**
Bulgaria	8	7									8	7
Croatia	6	5									6	5
Czech Republic	12	12									12	12
Greece	7	7			5	1					12	8
Hungary	13	13			16	15					29	28
Moldova	3	1									3	1
Poland	25	22	49	30	33	31					107	83
Romania	23	23	8								31	23
Russia	31	22	6	3	3						40	25
Serbia	5	3									5	3
Slovakia	5	5									5	5
Turkey	10	9	8	7							18	16
Ukraine	13	8									13	8
Eastern Europe	**161**	**137**	**71**	**40**	**57**	**47**					**289**	**224**
China	33	27									33	27
India	3	2									3	2
Japan	3	2									3	2
Vietnam	7	6									7	6
Morocco	6	6									6	6
Asia/Africa	**52**	**43**									**52**	**43**
Abroad	464	427	71	40	281	240	15	15	18	22	849	744
Total	584	544	701	592	621	558	142	142	330	335	2,378	2,171

[1]Excl. Germany

FINANCIAL RESULTS AND TAXES

€ million	2006	2005
Earnings before interest and taxes (EBIT)	1,983	1,738
Result from associated companies	0	58
Other investment results	14	16
Interest income/expenses (net result)	–466	–471
Other financial results	3	17
Net financial income	–449	–380
Earnings before taxes EBT	1,534	1,358
Income taxes	–484	–740[1]
Income from continuing operations	1,050	618
Income from discontinued operations after taxes	143	31
Net profit for the period	1,193	649

[1]In 2005, special effect from write-downs on deferred tax assets from loss carry-forwards at Real Germany of €307 million

Financial results

The result from associated companies in the previous year of €58 million was primarily attributed to a profit from selling shares of Loyalty Partner GmbH. Other investment results came largely from dividend payouts. The other financial results stem almost entirely from exchange-rate effects and hedging. With the end of hyperinflationary accounting in Turkey, the remaining financial results no longer contain an indexation result (previous year earnings of €9 million). The result from exchange-rate effects decreased by €46 million. This decline was compensated partly by the result from hedges, which rose by €26 million.

Additional information on the financial results is contained in the notes to the consolidated financial statement, nos. 6 to 9.

Taxes

€ million	2006	2005
Taxes paid or due	585	457
thereof in Germany	[196]	[129]
thereof outside Germany	[389]	[328]
Deferred taxes	–101	283
Income taxes	484	740[1]

[1]In 2005, special effect from write-downs on deferred tax assets from loss carry-forwards at Real Germany of €307 million

The increase in taxes paid or due in Germany is mostly attributable to the Media Markt and Saturn sales division. Positive developments in Eastern Europe were largely responsible for the increase outside Germany.

Last year's income taxes of €740 million included a special effect from write-downs on deferred tax assets from loss carry-forwards at Real Germany of €307 million.

Information about income taxes is contained in the notes to the consolidated financial statement, no. 10.

GROUP NET PROFIT AND EARNINGS PER SHARE

In 2006, net profit for the period (group net profit) totaled €1,193 million, 83.6 percent higher than the previous year. Net of minority interests, the group's net profit allocable to the stockholders of METRO AG amounted to €1,056 million.

In fiscal year 2006, the METRO Group generated earnings per share of €3.23. Earnings per share from continuing operations before special items (adjusted for the effects of the repositioning of Real including the acquisitions of the Wal-Mart Germany group and the Géant business in Poland) was €2.64. This represents an increase of 6.9 percent over the previous year's total of €2.47. There was no dilution in the year under review or in the previous year.

As in the previous year, the calculation for fiscal year 2006 was based on a weighted number of 326,787,529 shares. The group's net profit of €1,056 million due to stockholders was distributed among that number of shares.

				Change	
		2006	2005	absolute	%
Income from continuing operations	€ million	1,050	618	432	69.8
Income from discontinued operations	€ million	143	31	112	–
Net profit for the period	€ million	1,193	649	544	83.6
thereof allocable to minorities	€ million	137	118	19	15.5
thereof allocable to stockholders of METRO AG	€ million	1,056	531	525	98.8
Earnings per share[1]	€	3.23	1.63	1.60	98.8
Earnings per share from continuing operations before special items[2]	**€**	**2.64**	**2.47**	**0.17**	**6.9**

[1]Including discontinued operations and net of minority interests
[2]In 2005, special effect from write-downs on deferred tax assets from loss carry-forwards at Real Germany of €307 million; in 2006 adjusted for the effects from acquiring the Wal-Mart Germany group and the Géant business in Poland

BALANCE SHEET PROFIT OF METRO AG AND PROFIT APPROPRIATION

For fiscal year 2006, METRO AG posts income from shareholdings of €894.2 million compared with €381.0 million in the previous year. In consideration of other income, expenditures and taxes as well as the transfer of €400.0 million into revenue reserves, the company had a balance sheet profit of €435.4 million compared with €337.5 million in 2005.

The Management Board of METRO AG will propose to the annual general meeting that, from the reported balance sheet profit of €435.4 million, a dividend of €366.3 million be paid and that the balance of €69.1 million be carried forward to the new account. The balance sheet profit of €435.4 million includes retained earnings of €3.9 million. The dividend proposed by the Management Board amounts to

- €1.120 per share of common stock and
- €1.232 per share of preferred stock.

DEVELOPMENT OF ECONOMIC VALUE ADDED (EVA)

Value-focused management forms the foundation for long-range profitable growth

The METRO Group is committed to value-focused company management based on economic value added (EVA). This is an internationally recognized control and management system that makes it possible to measure all strategic, operational and investment activities on the basis of their contribution to increased company value and to make decisions according to it. The METRO Group introduced the EVA system throughout the company in 2000.

The METRO Group's strength is reflected in its ability to continuously boost the company's value through the successful deployment of its capital.

Positive EVA is achieved when the net operating profit after tax (NOPAT) exceeds the cost of capital needed to finance working capital. NOPAT is defined as operating profit before financing costs, but after income taxes. The cost of capital reflects the expected remuneration to investors for the capital they provide and for their investment risk. It is calculated by multiplying the working capital by the weighted average cost of capital (WACC). In 2006, the cost of capital rate of the METRO Group remained unchanged from the previous year at 6.5 percent.

Delta EVA, the difference between current EVA and year-earlier EVA, plays a key role in evaluating corporate success. The development of delta EVA therefore forms a key basis of the variable remuneration system for METRO Group executives.

CALCULATION OF WEIGHTED AVERAGE COST OF CAPITAL ("WACC")

Equity cost of capital		Debt cost of capital	
Risk-free rate of return	4.5%	Risk-free rate of return	4.5%
+		+	
Market risk premium	5.0%	Average, long-term risk premium	1.5%
x Beta factor (specific risk premium for METRO Group)	1.0		
		=	6.0%
		– Tax effect (40%)	–2.4%
=	**9.5%**	=	**3.6%**
Weighting at market rates	**50%**	Weighting at market rates	**50%**

6.5% group WACC

Development of EVA

In 2006, the METRO Group once again achieved positive EVA and thus made successful use of its capital employed. The METRO Group's EVA climbed to €426 million, compared with €305 million in the previous year. Metro Cash & Carry as well as Media Markt and Saturn once again posted a significant increase in EVA compared to the previous year's total.

At 8.4 percent, the RoCE (return on capital employed) was higher than the previous year's results.

DEVELOPMENT OF EVA

	NOPAT € million	Capital employed € million	EVA € million	RoCE %	Delta EVA[1] € million
Metro Cash & Carry	899	6,698	463	13.4	79
Real	202	7,489	–285	2.7	5
Media Markt and Saturn	442	2,302	292	19.2	27
Galeria Kaufhof	67	1,440	–27	4.6	0
Other companies/consolidation	288	4,714	–17	6.1	11
METRO Group	**1,898**	**22,643**	**426**	**8.4**	**121**

[1]Delta EVA is based on adjusted prior-year amounts

Taking into account the acquisitions of the Wal-Mart Germany group and the Géant business in Poland, capital employed rose to €22.6 billion. In the process, capital costs grew by €128 million to €1,472 million. NOPAT rose by €249 million to €1,898 million. The return on sales in relation to net operating profit amounted to 3.2 percent. Capital turnover remained at the previous year's level of 2.6.

IV. FINANCIAL AND ASSET POSITION

FINANCIAL MANAGEMENT

Principles governing group-wide financial activities

METRO AG is responsible for the centralized financial management of the METRO Group. METRO AG ensures that the METRO Group companies have access to the necessary financing for their operating and investment activities at all times and in the most cost-efficient manner possible. The necessary information is provided by a rolling financial budget for the group covering all relevant companies. It is updated quarterly and is subject to a monthly variance analysis. This financial planning, which covers a 12-month planning period, is complemented by weekly rolling 14-day liquidity plans.

METRO AG also controls loan placement and guarantees as well as the granting of financial support in the form of guarantees and letters of comfort for group companies. The following principles apply to all group-wide financial activities:

Financial unity By presenting one face to the financial markets, the group can optimize its financial market conditions.

Financial leeway In its relationships with banks and other business partners in the financial arena, the METRO Group consistently maintains its leeway with regard to financial decisions. In the context of the group's bank policy, limits have been defined to ensure that the group can replace one financing partner with another at any time.

Centralized risk management The METRO Group's financial transactions either are based on financing requirements or are concluded to hedge risks related to underlying business transactions. The METRO Group's total financial portfolio is controlled by METRO AG.

Centralized risk monitoring The potential effects of changes in financial parameters for the group, such as interest rate or exchange rate fluctuations, are quantified regularly in the context of scenario analyses. Open risk positions, including the conclusion of financial transactions without an underlying business activity, may be held exclusively after accordant approval by the Management Board of METRO AG.

Exclusively authorized contractual partners The METRO Group conducts financial transactions only with contractual partners who have been authorized by METRO AG. The creditworthiness of these contractual partners is tracked regularly. The risk controlling unit of METRO AG's finance department monitors the relevant limits.

Approval requirement All financial transactions of the METRO Group are concluded with METRO AG. In cases where this is not possible for legal reasons, these transactions are concluded directly between a group company and a financial partner. But this is done only after METRO AG has given its approval.

Audit security The two-signature principle applies within the METRO Group. All processes and responsibilities are laid down in group-wide guidelines. The conclusion of financial transactions is separated from settlement and controlling in organizational terms.

Financial market communication and rating

Transparent and open communication with financial market participants and rating agencies is a crucial success factor for tapping the debt capital market in order to meet the group's financial requirements. In this respect, the purpose of ratings is to communicate the METRO Group's credit rating to potential debt capital investors. Unchanged from the previous year, the METRO Group is currently rated as follows by two international rating agencies:

RATING

	2006	
Category	Moody's	Standard & Poor's
Long-term	Baa2	BBB
Short-term	P-2	A-2
Outlook	stable	stable

Based on its current ratings, the METRO Group has access to all debt capital markets.

Financing measures

The "Debt Issuance Programme" that was begun in 2000 serves as a source of long-term financing. In 2006, the following transactions were conducted within the context of this program:

FINANCING MEASURES

Type of transaction	Issuance date	Maturity	Maturity date	Nominal volume	Coupon
Redemption	March 2001	5 years	March 2006	€200.0 million	5.75% fixed
Redemption	May 2003	3 years	May 2006	€314.3 million	variable
Redemption	November 1998	8 years	November 2006	€7.6 million	variable
New issue	September 2006	4 years	September 2010	€200.0 million	variable

In addition, note loans totaling €150 million with a maturity of seven years were issued during the year under review.

For short- and medium-term financing, the METRO Group uses ongoing capital market issuance programs such as the "Euro Commercial Paper Program" begun in 1999 and another "Commercial Paper Program" geared especially toward French investors. The average amount utilized from both programs was €1,717 million in 2006. In addition, the METRO Group used syndicated credit lines of €200 million by the closing date as well as bilateral bank facilities totaling €1,559 million.

Additional information on the METRO Group's financing programs and credit lines is contained in the consolidated financial statements under no. 34 ("Financial liabilities")

INVESTMENTS/DIVESTMENTS

In fiscal year 2006, the METRO Group invested €3,020 million, €882 million above the previous year's level. Investments in existing concepts and organic growth amounted to €2,033 million. Acquisitions accounted for €987 million. This includes €651 million for the takeover of the Wal-Mart Germany group (including real estate), which did not lead to any outflow of funds.

INVESTMENTS OF THE METRO GROUP 2006

€ million	2006	2005	Change absolute	Change %
Metro Cash & Carry	924	900	24	2.7
Real	876	266	610	–
Media Markt and Saturn	370	315	55	17.2
Galeria Kaufhof	151	96	55	56.7
Other companies	699	561	138	24.5
METRO Group	3,020	2,138	882	41.2

Metro Cash & Carry invested a total of €924 million during the reporting year compared with €900 million a year earlier. Metro Cash & Carry opened a total of 41 new stores worldwide. Investments continued to focus on the growth regions in Asia and Eastern Europe. In China, the existing outlet chain was expanded by 6 stores, in Russia by 9 and in the Ukraine by 5. Metro Cash & Carry also invested in the further expansion of its Western European network of locations. In addition, numerous measures aimed at store modernization were launched in this economic area.

At Real, investments rose by €610 million to €876 million in the fiscal year. The investments included €292 million for the acquisition of the Wal-Mart Germany group, which did not lead to any outflow of funds. The investments were also made to continue international expansion. In addition to the successful market entry in Romania with 8 locations, 3 sites were added to the store network in Russia. In Poland, 19 locations were added to the existing store network through the acquisition of Géant's business operations.

The Media Markt and Saturn consumer electronics centers invested €370 million in 2006, €55 million more than a year earlier. These funds were primarily used to open 64 new stores, including market entry in Sweden with 2 stores and market entry in Russia with 3. In addition, consumer electronics centers in Germany were modernized.

Investments at Galeria Kaufhof amounted to €151 million in fiscal year 2006, €55 million more than the previous year. The key focus here was on store modernization in Germany and Belgium based on the Galeria concept, for example at the Alexanderplatz location in Berlin.

The investment volume of other business totaled €699 million in the reporting year, €138 million above the previous year. The investments included €359 million for the acquisition of 19 locations of the Wal-Mart Germany group, which did not lead to any outflow of funds. In addition, other investments were made to modernize existing real estate and to develop new property locations that are being rented primarily to the METRO Group's sales divisions.

Information on investment obligations, which amount to a total of €207 million, is included in the notes to the consolidated financial statements no. 19 ("Other intangible assets") and no. 20 ("Tangible assets").

Divestments essentially concerned the sale of real estate, which generated about €300 million in cash inflows for the METRO Group. In addition, the remaining share of 40.52 percent in Praktiker Bau- und Heimwerkermärkte Holding AG was sold in the course of strategic portfolio optimization. The METRO Group accrued €484 million from this sale.

Additional information on divestments is included in the consolidated financial statements ("Consolidated cash flow statement") as well as in the notes to the consolidated financial statements under no. 36 ("Notes to the consolidated cash flow statement").

CONSOLIDATED CASH FLOW STATEMENT[1]

The cash flow statement serves to identify and display the cash flows that the METRO Group generated or employed in the fiscal year from current operating, investing and financing activities. In addition, it depicts the cash positions at the beginning and at the end of the fiscal year. Following the sale of the remaining stockholding in Praktiker Bau- und Heimwerkermärkte Holding AG, the cash flows from these discontinued operations are presented separately.

CASH FLOW

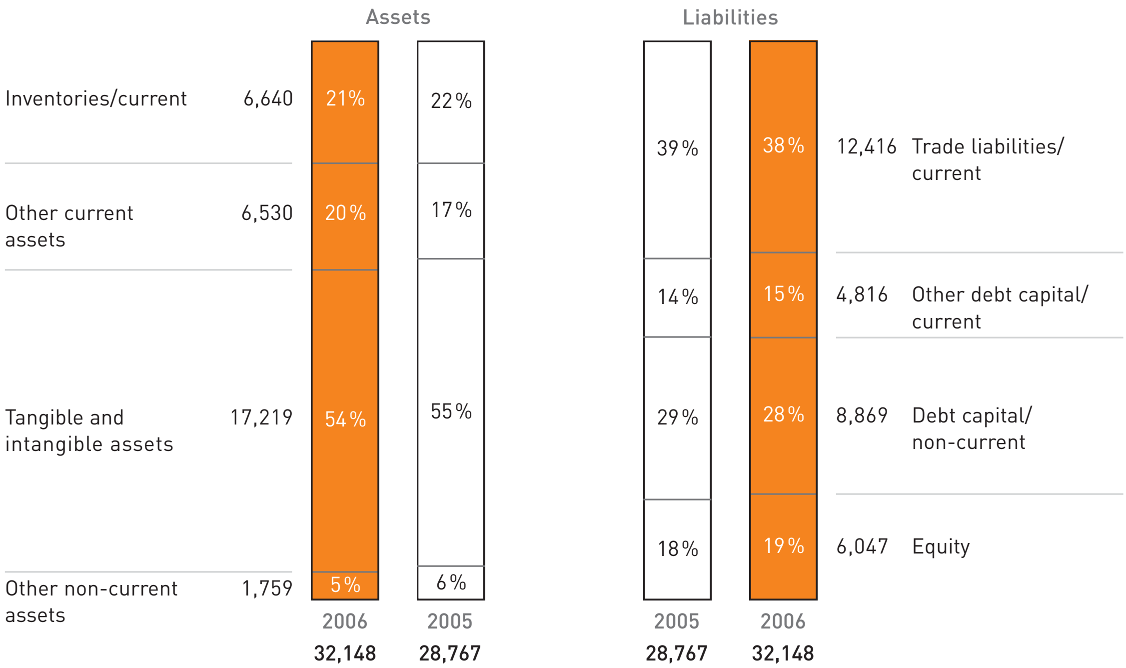
€ million	2006	2005
Cash flow from operating activities of continuing operations	3,263	2,034
Cash flow from operating activities of discontinued operations	–	150
Cash flow from operating activities (total)	3,263	2,184
Cash flow from investing activities of continuing operations	(1,302)	(1,125)
Cash flow from investing activities of discontinued operations	–	(43)
Cash flow from investing activities (total)	(1,302)	(1,168)
Cash flow from financing activities of continuing operations	(995)	(1,392)
Cash flow from financing activities of discontinued operations	–	23
Cash flow from financing activities (total)	(995)	(1,369)
Total cash flows	966	(353)
Currency effects on cash and cash equivalents	(1)	13
Change in cash and cash equivalents (total)	965	(340)

[1]Abridged version. The complete version is shown in the consolidated financial statements and explained in the notes to the consolidated financial statements, no. 36 ("Notes to the consolidated cash flow statement")

During the year under review a total cash flow of €3,263 million (previous year €2,034 million) was generated from current operating activities of continuing operations. The increase resulted mostly from the extraordinarily strong improvement of net working capital. Investment activities of continuing operations caused cash outflows of €1,302 million (previous year €1,125 million) during the reporting year. Increased cash outflows compared to the previous year is due largely to lower cash inflows from divestments. Cash flow from financing activities of continuing operations shows outflows of €995 million (previous year €1,392 million).

CAPITAL STRUCTURE

CAPITAL STRUCTURE OF THE METRO GROUP IN € MILLION



At the end of 2006, the METRO Group's balance sheet showed equity of €6,047 million compared with €5,313 million in the previous year. The increase in equity was attributed to a rise in revenue reserves that, taking the dividend payment in 2005 (€334 million) into consideration, essentially derived from the contribution of period income allocable to stockholders of METRO AG. The equity ratio rose 0.3 percentage points to 18.8 percent. The share of revenue reserves in equity totaled 40.5 percent compared with 32.4 percent in the previous year.

€ million	Note no.	Dec 31, 2006	Dec 31, 2005
Equity	29	6,047	5,313
Subscribed capital		835	835
Capital reserves		2,544	2,551
Reserves retained from earnings		2,451	1,721
Minority interests		217	206

Net financial debt after netting of cash and cash equivalents (including fixed-interest investments of more than three months and less than one year duration) with financial debts, including finance leases, totaled €5,239 million compared with €5,869 million in 2005. Non-current financial liabilities rose by €233 million to €6,279 million during the year under review; current financial liabilities increased by €150 million to €1,740 million. During fiscal year 2006, cash and cash equivalents rose by €965 million to €2,732 million.

€ million	Dec 31, 2006	Dec 31, 2005
Cash, cash equivalents according to balance sheet	2,732	1,767
Fixed-term investments > 3 months < 1 year[1]	48	–
Financial liabilities (including finance leases)	8,019	7,636
Net debt	5,239	5,869

[1]Shown in the balance sheet under other receivables and assets (current)

The debt capital ratio declined by 0.3 percentage points to 81.2 percent. Trade liabilities increased in 2006 by €1,464 million to €12,416 million. Aside from a calendar-related increase in liabilities due, the rise was attributed primarily to the expansion of the sales divisions Metro Cash & Carry as well as Media Markt and Saturn, and the acquisitions of the Wal-Mart Germany group and the Géant business in Poland. Current liabilities account for a share of 66.0 percent of total debt capital compared with 64.2 percent in the previous fiscal year.

Information on the maturity, currency and interest-rate structure of financial liabilities as well as on the lines of credit is included in the notes to the consolidated financial statements under no. 34 ("Financial liabilities").

€ million	Note no.	Dec 31, 2006	Dec 31, 2005
Non-current liabilities		8,869	8,408
Provisions for pensions and similar commitments	30	1,023	995
Other provisions	31	506	447
Financial liabilities	34	6,279	6,046
Other liabilities	35	599	433
Deferred tax liabilities	24	462	487
Current liabilities		17,232	15,046
Trade payables	33	12,416	10,952
Provisions	31	719	288
Financial liabilities	34	1,740	1,590
Other liabilities	35	2,029	1,967
Income tax liabilities		304	249
Liabilities connected to non-current assets held for sale		24	–

ASSET POSITION

In fiscal year 2006, total assets increased by €3,381 million to €32,148 million. Non-current assets rose by €1,389 million to €18,978 million during fiscal year 2006 while current assets increased by €1,983 million to €13,170 million.

NON-CURRENT ASSETS

€ million	Note no.	Dec 31, 2006	Dec 31, 2005
Non-current assets		18,978	17,580
Goodwill	18	4,379	4,154
Other intangible assets	19	478	433
Tangible assets	20	12,087	11,037
Investment properties	21	136	228
Financial assets	22	139	136
Other receivables and assets	23	535	482
Deferred tax assets	24	1,224	1,110

In the reporting year, goodwill worth €184 million was generated, mostly from the acquisition of the Géant business in Poland. The increase in tangible assets of €1,050 million primarily resulted from the acquisitions of the Wal-Mart Germany Group and the Géant business in Poland. In addition, the rise can also be attributed to the opening of new stores by the sales divisions Metro Cash & Carry as well as Media Markt and Saturn. The decline in investment properties was due largely to the reclassification of real estate in the item „Non-current assets held for sale.“ Deferred taxes totaled €1,224 million and climbed by €114 million compared with the previous year. The increase is largely attributed to temporary differences arisen from intra-group business.

CURRENT ASSETS

€ million	Note no.	Dec 31, 2006	Dec 31, 2005
Current assets		13,170	11,187
Inventories	25	6,640	6,246
Trade receivables	26	481	367
Financial assets		21	13
Other receivables and assets	23	2,852	2,200
Income tax refund entitlements		279	253
Cash and cash equivalents	27	2,732	1,767
Non-current assets held for sale	28	165	341

Inventories increased by €394 million to €6,640 million. The increase is attributable both to the initial consolidation of the Wal-Mart Germany group and the takeover of the Géant business in Poland as well as to the expansion, in particular of the international business, of the Media Markt and Saturn as well as Metro Cash & Carry sales divisions. Despite its continued expansion, the Metro Cash & Carry sales division managed to reduce its inventories through rigorous inventory management. The rise in trade receivables of €114 million primarily resulted from increased payments with direct debiting and longer store hours on the last sales day in Germany compared with the previous year.

The increase of cash and cash equivalents is due mostly to the continued expansion and the particularly strong growth in the nonfood area toward year's end compared to the previous year. During the last fiscal year, the remaining shares in Praktiker Bau- und Heimwerkermärkte Holding AG were shown in the item „Non-current assets held for sale" (€341 million). The sale of these remaining shares took place in April of fiscal year 2006. In the course of the continued optimization of the real estate portfolio, the sale of properties was initiated in the current fiscal year. They are shown in the item „Non-current assets held for sale."

ACTING RESPONSIBLY – SECURING SUCCESS POTENTIAL:
ITS COMMITMENT TOWARD ITS EMPLOYEES AND THE ENVIRONMENT IS ONE OF THE KEY PILLARS OF THE METRO GROUP'S CORPORATE STRATEGY AND CULTURE.

STRONG ROOTS: THE EUROPEAN FAMILY TREE

Organic growth has transformed the diversity of European nations and cultures into a strong unity: Europe grows like a tree, with deep supporting roots and strong, reliable branches. Since the great turning point in its history, 1989, political and economic systems bear witness to the fact that the people from Scandinavia to the Bosporus and from the Atlantic to the Urals have always belonged together – regarding history and culture.

V. EMPLOYEES

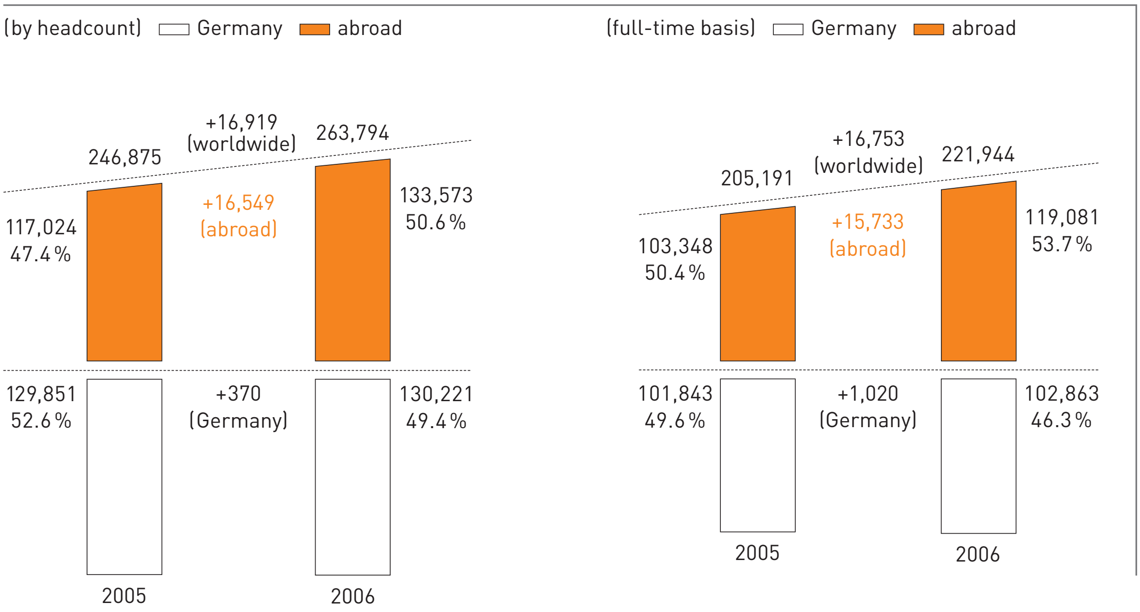
INTERNATIONALIZATION INCREASES NUMBER OF EMPLOYEES

It is the people who make the difference in retail. Around the world, committed employees stand for the METRO Group's success. Through ongoing internationalization, their number again grew in 2006. Not counting apprentices, the group employed a total of 263,794 employees on average during the year. The total number of full-time employees rose by 16,753 – or 8.2 percent – to 221,944, making the METRO Group one of the leading employers in its industry.

Number of employees up by 8.2 percent – strong gains in Eastern Europe and Asia

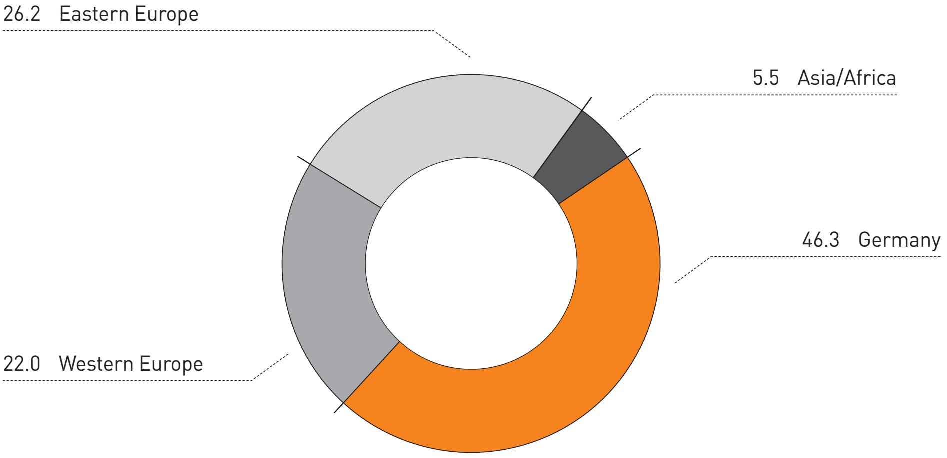
On average over the year, the number of employees abroad grew by 15,733 to 119,081 (full-time equivalents). Because of this above-average growth, the foreign share of our workforce increased from 50.4 percent to 53.7 percent. Nine out of ten employees outside of Germany worked in European countries – 48,905 in Western Europe and 58,117 in Eastern Europe. In the growth regions Eastern Europe and Asia, the workforce grew particularly fast on average over the year – namely by 23.4 percent in Eastern Europe and 17.5 percent in Asia.

WORKFORCE OF THE METRO GROUP IN 2006 COMPARED TO THE PREVIOUS YEAR



METRO GROUP EMPLOYEES BY REGION

(full-time basis) in percent



Positive change in personnel structure

Contrary to the sector trend, the share of part-time employees dropped markedly to 39.1 percent (previous year 42.2 percent) companywide and to 50.8 percent (previous year 51.5 percent) in Germany. The average age of employees rose from 36.0 to 36.2 years. The average tenure increased from 7.4 to 7.7 years.

Human resources policy tackles future challenges

People are getting older; at the same time, birthrates are sinking. This demographic development is changing the structure of Europe's population. Soon, companies will have fewer workers at their disposal. In order to remain competitive under these altered parameters, the METRO Group is working with farsighted personnel concepts. One key measure is the implementation of a health management system with a focus on early diagnosis and prevention of illnesses, rehabilitation and integration that aims to encourage an understanding of health and greater health awareness. Group-wide health promotion boosts our employees' vitality and creates the conditions they need to remain active in the workforce for a longer period of time. At the same time, early-retirement models like semi-retirement are no longer being offered. Based on a pilot project, the concept is to be rolled out across the entire company.

Attractive vocational training in retail

Training schemes for performance-oriented young people represent a key contribution to society and an investment in the company's long-term business success. With its broad range of opportunities for those just starting their working lives, the METRO Group is one of Germany's leading vocational trainers. Each year, thousands of young people learn one of around 20 professions in our sales divisions and companies – from retail merchant to communications specialist. Across Germany, 3,005 high school graduates began their training with us in fiscal year 2006 – 3 percent more than in the year before. On a yearly average, the total number of apprentices in Germany increased to 8,807, exceeding the already high level of the previous year by 4.0 percent. The share of apprentices also increased from 8.3 percent to 8.6 percent. This shows that the METRO Group is making another significant contribution to fulfilling Germany's training pact.

Share of apprentices remains high

Equal opportunity for employees and job applicants

Worldwide, the METRO Group employs people from 154 countries. In Germany alone, 132 nationalities are represented. The international character and diversity of our workforce represent important potential. With our diversity management program, we develop each employee according to his or her performance and abilities.

The METRO Group has employees from 154 countries

The METRO Group is an "equal opportunity employer." It offers applicants and employees the same opportunities regardless of gender, age, race, ethnic origin, sexual identity, possible disabilities, religion or beliefs. The current share of women in managerial positions is 19.0 percent and is to be continually increased. In the year under review, we employed 4,506 (previous year 4,375) people in Germany who had recognized severe disabilities, including 64 apprentices. About 400 other employees have been placed on the same level as the severely disabled. About 26 percent of the 130,221 employees in Germany are in the 50plus age group. In 2006, 521 people older than 50 were hired across Germany. The total was 1,195 outside Germany.

Continuing strong interest in the company pension plan

In face of the rising retirement age and foreseeable reductions in retirement benefit levels, it will be increasingly important to plan for retirement. Our "Future Package" assists employees in building their supplemental pension plan. The group-wide pension program provides additional voluntary benefits that go beyond the stipulations of collective-bargaining agreements and has been embraced by employees: in the reporting year, nearly 58,000 employees signed up for this program in Germany.

DEVELOPMENT OF EMPLOYEE NUMBERS IN THE SALES DIVISIONS (FULL-TIME BASIS)[1]

	Metro C&C		Real		Media Markt and Saturn		Galeria Kaufhof		Other companies		METRO Group	
Country	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Germany	15,384	15,580	36,645	36,020	20,097	19,116	17,773	18,074	12,964	13,053	102,863	101,843
Austria	1,986	2,002			1,852	1,739			501	555	**4,339**	4,296
Belgium	2,753	2,682			814	635	1,270	1,335			**4,837**	4,652
Denmark	498	505									**498**	505
France	8,275	8,252			1,500	1,459			7	7	**9,783**	9,718
Italy	4,315	4,340			4,837	4,212			3		**9,154**	8,553
Luxembourg									70	75	**70**	75
Netherlands	3,111	3,147			1,693	1,543			6	7	**4,811**	4,696
Portugal	1,859	1,892			433	247					**2,292**	2,139
Sweden					133						**133**	
Switzerland					1,065	985			82	83	**1,147**	1,068
Spain	3,105	2,871			4,328	3,064			2		**7,435**	5,935
United Kingdom	4,405	4,351								5	**4,405**	4,356
Western Europe[2]	**30,308**	**30,041**			**16,656**	**13,884**	**1,270**	**1,335**	**671**	**732**	**48,905**	**45,994**
Bulgaria	2,174	1,999							6	2	**2,181**	2,001
Croatia	1,247	1,028									**1,247**	1,028
Czech Republic	3,330	3,353									**3,330**	3,353
Greece	1,107	1,104			355	55			8	4	**1,471**	1,162
Hungary	3,402	3,321			1,334	1,208			18	7	**4,754**	4,537
Moldova	516	306									**516**	306
Poland	6,263	5,682	6,914	5,436	3,446	2,967			497	378	**17,120**	14,463
Romania	6,335	6,079	1,947						100	35	**8,382**	6,114
Russia	7,449	5,979	1,178	571	222				106	31	**8,955**	6,580
Serbia	1,061	563									**1,061**	563
Slovakia	1,218	1,212									**1,218**	1,212
Turkey	2,078	1,818	1,229	1,064					212	196	**3,519**	3,078
Ukraine	4,365	2,693									**4,365**	2,693
Eastern Europe	**40,546**	**35,138**	**11,268**	**7,070**	**5,356**	**4,230**			**947**	**652**	**58,117**	**47,089**
China	7,206	6,182							518	522	**7,724**	6,704
India	752	592									**752**	592
Japan	358	267									**358**	267
Vietnam	2,134	1,658									**2,134**	1,658
Morocco	1,091	1,044									**1,091**	1,044
Asia/Africa	**11,541**	**9,743**							**518**	**522**	**12,059**	**10,265**
Abroad	82,395	74,922	11,268	7,070	22,012	18,114	1,270	1,335	2,136	1,907	119,081	103,348
Total	97,779	90,502	47,913	43,090	42,109	37,230	19,043	19,409	15,100	14,960	221,944	205,191

[1]Including rounding differences
[2]Excluding Germany

PERSONNEL DEVELOPMENT UNLOCKS FUTURE POTENTIAL

We depend on specialists and managers with the motivation and skills to implement the company's strategic goals. Personnel development's primary responsibility is to identify qualified talents and support them on an ongoing basis. They contribute significantly to the METRO Group's ability to meet the challenges of the future.

We would like to staff about 75 percent of all managerial positions from our own ranks. Systematic qualification measures and a detailed insight into employees' performance, experience, expertise and potential provide the foundation for this. Every year, all managers are evaluated against consistent criteria within the scope of Metro Management Planning (MMP), with Metro core competencies serving as the basis. They define the qualification profile for managers, and the MMP results serve as the starting point for targeted development measures and planning for successors worldwide.

Our competency model for managers includes profiles of top-management positions as well as biographies and performance assessments of management recruits. By assigning each candidate an "individual competence grade" irrespective of his or her current position, the model increases the company's flexibility in staffing strategic positions while providing for a high degree of transparency and, as a result, fair, performance-based personnel decisions.

Competency model allows for more flexible staffing of managerial positions

Metro Corporate University draws on international support

We are working hard to exploit available know-how within the group and further develop our intercultural competence. Managers from 30 countries regularly meet at the Metro Corporate University to learn together and exchange experiences. The Metro Excellence Program prepares managers for demanding management work. The program is based on a cooperation with renowned business schools – the International Institute for Management Development (IMD) in Lausanne, St. Gallen University and Saïd Business School in Oxford. In addition to the professors of INSEAD, board members and company executives are available as instructors or discussion partners in the top-management programs. Countless additional management-development programs, seminars, project and foreign assignments round out the opportunities.

Initiatives attract the employees of tomorrow

In Eastern Europe, young people are especially in demand. The goal of "Metro Education" is to professionalize vocational training there, thereby developing the employees' entry qualifications. Because these countries do not have a dual training system, the initiative supports local commercial schools and provides apprenticeships. "Metro Education" is active in Poland, Russia and, since 2006, Romania as well. A total of 39 schools in three countries partner with the METRO Group on the initiative, and more than 2,000 young people have already participated.

"Metro Education" development program efficiently prepares young Eastern Europeans for working in the retailing business

In Germany, we use a platform unique in the sector to inspire qualified applicants for a career in retail: "Meeting Metro." The event creates the opportunity for direct, face-to-face contact with teachers, trainers and students. Using this platform, METRO Group employees offered around 1,500 participants a hands-on look at the diverse fields of responsibility within retail. "Meeting Metro" contributes significantly to the company's exposure and reputation as an "employer brand."

OTHERS COPY GROUND-BREAKING COLLECTIVE BARGAINING POLICY

More leeway through new wage agreement

Nine months of negotiations came to a close in January 2006 for the German retail industry, writing collective bargaining history in many ways. The agreement, which will be in effect for 24 months, calls for a linear increase in compensation by 1 percent and a lump-sum payment of €200 for 2006. In addition, a further payment of €75 for 2007 was agreed on. These regulations address retailers' domestic economic situation and take into account the particular challenges confronting the whole sector. A welcome outcome is that the collective bargaining parties agreed to set up a variable lump-sum payment linked to the respective company's business success. In addition, the parties agreed to a job security settlement that broadens the scope for company-level agreements. Accordingly, companies can diverge from collective wage agreements in economic emergencies. Following the retail industry's example, several other sectors, such as the metal and electronics industries, have since adopted similarly flexible agreements.

Reform initiative promotes innovative collective bargaining system

The Federation for Innovative Bargaining Policy (FIT), founded on the initiative of the METRO Group, has been working with the Ver.di union since 2002 to reform the collective bargaining system for the German retail sector. The additional experience will be factored into a new remuneration system. This is scheduled to be passed on to the collective bargaining partners by the end of the first half of 2007 to serve as a basis for negotiations. We are planning to dovetail the project with the upcoming bargaining round.

VI. ADVANCED RETAILING

Our research and development activities are bundled under the term "Advanced Retailing." The METRO Group sees itself as a driving force behind the modernization process in international trade and retail. The Advanced Retailing strategy, which comprises our most important future-oriented projects, was developed to strengthen our leading position. We systematically tackle important strategic issues in the context of this group-wide initiative. All Advanced Retailing initiatives aim to facilitate our business processes through innovative technology and, thus, to reduce our employees' workload in order to allow them to dedicate more time to their core tasks – professional advice and assistance to our customers.

At the METRO Group, the introduction of technological innovations builds on an open, constructive dialogue with all affected groups: we discuss the use of innovative technologies both in employee training programs, and in national and international meetings, such as a conference that examined the impact of new technologies on the trade and retail sector held by the International Labor Organization (ILO) during the reporting year. We continued to advance our Advanced Retailing projects in 2006. Our aim was to expand the use of future-oriented technologies in our stores and in our cooperation with suppliers and business partners. At the heart of these initiatives is the Radio Frequency Identification (RFID) technology.

OVERVIEW OF EXEMPLARY FUTURE-ORIENTED PROJECTS

METRO Group Future Store Initiative reaffirms our pioneering role

Within the context of the METRO Group Future Store Initiative, the company assumes a leading role in shaping the future face of trade and retail in cooperation with well-known partners from the consumer goods and IT sectors. The focus is on developing, testing and using innovative technologies that produce substantial benefits both for our customers and the METRO Group itself. RFID technology, for example, enables more individualized customer assistance and more customer-oriented service offers. At the same time, our company profits from the use of Radio Frequency Identification in its logistics and warehousing operations.

Radio Frequency Identification (RFID) sets new standards

Radio Frequency Identification (RFID) is a key technology for the design of efficient supply processes and improvements in shopping comfort. This innovative technology will fundamentally alter the process chain in the consumer goods industry. The heart of this technology is the so-called Smart Chip, a small computer chip equipped with an antenna. An Electronic Product Code (EPC) is stored on the Smart Chip and can be read without direct contact or any visual connection by an RFID reader. In the merchandise management system, such information as the expiration date or the manufacturer of a product can be assigned to the EPC. A database also traces the route of a delivery from production to the store.

In 2006, we continued to expand our RFID Innovation Center in Neuss to help promote the use of RFID in logistics. The center, which was opened in July 2004, is the only information and development platform of its kind in Europe.

Harmonized platforms promote the exchange of information

METRO Group Networking, the work and information platform for all employees, develops concepts to manage and improve internal administrative processes with the help of innovative IT systems. The resulting networking fundamentally improves the group's processes. In the future, Metro Link will serve as the platform for METRO Group suppliers. The portal offers comprehensive information as well as programs for an exchange of data. Metro Link aims to intensify the cooperation with suppliers and optimize processes.

VII. ENVIRONMENTAL AND SUSTAINABILITY MANAGEMENT

For the METRO Group, sustainable action is a key element of responsible corporate management. Since we regard economic and environmental factors as equals rather than opposites, environmental needs are considered early on in our decision-making processes. On the one hand, we address the legitimate public interest to protect the basis of life for future generations. On the other, we safeguard our competitiveness and future success, bolstering the foundation for continued profitable growth.

The energy sector highlights the interdependency of environmental and economic interests: around the world, fossil energy sources are being depleted. The simultaneous and dramatic increase in the demand for oil, gas and coal fuels the price of these resources. Reducing the use of energy and boosting energy efficiency are necessary not only for environmental considerations, but also for economic and competitive reasons. This thinking shapes our entrepreneurial decision-making processes.

As a result, we pay particularly close attention to the energy usage of our stores' refrigerating and air-conditioning equipment, heating systems and ventilation. Systematic monitoring of consumption data allows us to reduce environmentally harmful emissions and energy consumption as well as to lower costs. We commission on-site studies at locations with extraordinarily high energy consumption to scale back energy use and to boost our energy efficiency. At our location Walzmühle Ludwigshafen (Germany), for example, modification of our ventilation system resulted in markedly lower energy consumption and roughly 8 percent lower CO_2 emissions. Our ambitious goal for 2007 is to achieve reduction of energy consumption per square meter of selling space by at least 5 percent.

In 2006, the METRO Group reviewed the worldwide merchandise flow management with the aim of furthering environmental protection and cutting energy costs at the same time. The delivery of products to about 2,400 stores in 30 countries entails high transportation costs and environmental damage. With the help of an intelligent merchandise flow management system, the group's logistics company markedly optimized the capacity usage of its trucks, substantially reducing empty runs and holding times. By the end of 2009, we will convert our entire fleet of vehicles to the Euro-5 norm, which will be the most favorable emission class at that point.

Concrete key figures and project examples in the areas of environmental protection, assortment responsibility, social engagement and employees are included in our Sustainability Report.

This information is regularly updated and supplemented on our Internet pages at www.metrogroup.de/sustainability

Responsible supply chain management

The METRO Group also demands that its suppliers maintain high environmental and social standards. Fruit and vegetable suppliers, for example, must be certified in accordance with the internationally accepted production standard EurepGAP (Eurep = Euro-Retailer Produce Working Group; GAP = Good Agricultural Practice). EurepGAP requires producers to reduce the use of pesticides and to protect workers' safety and health, among other things. Through its membership in the Business Social Compliance Initiative (BSCI), the METRO Group also has committed itself to monitoring and evaluating its suppliers' adherence to minimum social standards, and to helping its suppliers improve their employees' working conditions.

In addition, our stores offer organic fruit and vegetables as well as fish and wood products from sustainable fishing and forestry. This allows our customers to contribute to environmentally and socially responsible consumption.

VIII. RISK AND OPPORTUNITIES REPORT

Within the context of its entrepreneurial activities, the METRO Group aims to use opportunities and limit risks. We protect the company's existing and future performance potential through efficient risk management. The METRO Group sees risk management as an integral part of value-oriented business management. The group's risk management is based on a systematic process of risk identification, assessment and control for the entire group. This allows us to recognize unfavorable developments at an early point in time. As a result, corrective action can be taken promptly when necessary. We also ensure that opportunities are identified, assessed and exploited in a targeted manner across the company.

CENTRALIZED MANAGEMENT AND EFFICIENT ORGANIZATION

The METRO Group's risk management officer continuously and promptly informs the Management Board of METRO AG of important developments in risk management. Based on an annual group-wide risk audit, the risk management officer writes a risk report that addresses the essential aspects of potential risks at the METRO Group. An essential function of central risk management at the METRO Group is to ensure the group-wide exchange of information on risk-relevant issues, and to develop risk management in all sales divisions and group units. This involves coordinating the group-wide recording and systematic assessment of all essential risks according to uniform standards. The risk management officer compiles the results in a risk portfolio, which provides the basis for determining the METRO Group's total risk and opportunities situation.

Group-wide risk management tasks and responsibility for risk management are clearly regulated and mirror the METRO Group's corporate structure. This combines centralized management by the management holding company, METRO AG, with the decentralized operative responsibility of the individual sales divisions. The sales divisions and consolidated subsidiaries are thus responsible for the risks, in particular operative risks. They oversee risk management, while METRO AG supervises its implementation. Risk management is discussed in the Supervisory Board's Accounting and Audit Committee.

ECONOMIC VALUE ADDED (EVA) AS A RISK ASSESSMENT FACTOR

The crucial benchmark for corporate success is the principle of economic value added (EVA) that is used across the group. When deciding whether to assume specific risks, the METRO Group's guiding principle is a sustainable increase in enterprise value. In particular, EVA is an important criterion for investment decisions. Entrepreneurial risks are taken only if the concomitant risks are manageable and where the opportunities involved promise reasonable value added.

STRICT RISK POLICY PRINCIPLES

Risks incurred in conjunction with the core processes of wholesale and retail trading are borne by the METRO Group. Core processes in this context are the development and implementation of business models, decisions on outlet locations, the procurement of merchandise and services, human resources development relating to specialists and managers as well as liquidity protection. As a matter of principle, the METRO Group does not assume risks that are not related to core or support processes.

CLEARLY DEFINED RISK MANAGEMENT DETAILS

To guarantee the coordinated implementation of risk management activities, all relevant facts have been laid down in several sets of rules, including the Articles of Association and by-laws of the group companies, internal group procedures and the risk management manual of METRO AG. The latter provides information on how the risk management system works. It offers a comprehensive overview of potential areas of risk, assigns responsibility for risk monitoring and provides instructions on how to act. A bottom-up process of risk – and opportunity – identification covering all management levels across the group ensures that relevant business risks do not go unnoticed. An early warning system assesses business risks in terms of scope for the three-year planning period.

GROUP REPORTING PROMOTES INTERNAL RISK COMMUNICATION

Group reporting is the essential vehicle for the internal communication of opportunities and risks. Annual risk audits, financial statements and monthly projections as well as regular contacts among the operating units and their controlling companies ensure the continuous and timely exchange of information. The ongoing monitoring of risk areas is achieved with the help of specific indicators. Sudden material risks are communicated immediately to the responsible decision-making bodies by means of an emergency notification system created specifically for such situations.

CONSISTENT RISK MONITORING

Within the METRO Group, each manager is responsible for overseeing the implementation and effectiveness of risk management in his or her particular area. Risk management officers ensure that the risk management system as a whole is operational, and monitor the timeliness of standards and stipulations. In compliance with the KonTraG (the German Control and Transparency Law), external auditors periodically review our risk management system. The findings are reported to the Management Board and the Supervisory Board.

For the METRO Group, this results in the following substantial internal and external risks that are consistently tied to opportunities arising from our entrepreneurial activities:

Business risks Intense competition, in particular in the German and Western European retail sectors, produces factors that could influence business developments and represent natural business risks. Another general risk is the fluctuating willingness of consumers to spend money. This willingness depends on numerous political, social and economic factors. The continued internationalization of the METRO Group offers the opportunity to offset fluctuating demand in individual countries. At the same time, the group may be confronted with economic, legal or political risks in other countries.

Constant changes in consumption patterns and customer expectations offer opportunities as well as create risks. They require a continuous adaptation and optimization of merchandizing concepts. To recognize market trends and changing consumer expectations early on, we regularly analyze internal information and select external sources. Our group's own market research uses quantitative methods such as time series analyses and market trend forecasts based on the analysis of internal sales figures and market research. The time series analyses include the observation of product segments on the market over a certain period of time. Our sales brands initially test the practicability and acceptance of innovative concept modules in test stores before introducing them systematically and swiftly across the area. Continuous fund allocation allows for the optimization of merchandizing concepts and the modernization of stores. These measures help all sales brands maintain their competitive strength.

Location risks We consider our presence in the large growth regions of Eastern Europe and Asia as a key investment in our group's future. By entering these markets, we use our entrepreneurial opportunity to profit from the rising purchasing power of millions of consumers. However, our rigorous expansion in these economic regions also entails location risks. Comprehensive feasibility studies, which analyze the parameters and opportunities of a foreign commitment in great detail, are one way the METRO Group identifies these risks.

Supplier risks As a trade and retail company, the METRO Group depends on external providers for the supply of goods and services. To prepare for contingencies related to the procurement of goods and services, our company cooperates with a sufficiently large number of suppliers. These suppliers are continually monitored and must adhere to the procurement policy standards of the METRO Group. This includes the stipulations of the Food Safety Initiative, which must be observed by all our suppliers and are designed to ensure a high food safety standard for all production, processing and distribution levels.

IT and logistics risks The highly diverse selection of goods in bricks-and-mortar retailing and the high merchandise turnover rate entail fundamental organizational, IT and logistics risks. The METRO Group's international focus and our concentration on national, regional and local product assortments in the respective countries add to these risks. Any disturbances in the value chain, for example involving the supply of goods, entail the risk of business interruption. To hedge against such risks, the METRO Group uses internal backup systems and works with several parallel service providers to reduce its dependency on individual suppliers and service providers. In addition, our group has special emergency plans and adheres to the principle of efficient internal division of labor.

Personnel risks The expertise, dedication and motivation of our employees are key success factors that have a decisive impact on our competitive position. To implement its strategic goals, the METRO Group depends on highly qualified experts and executives. It is an ongoing challenge to recruit and retain such valuable human resources for the group in the face of intense competition for the best people. The demand for qualified personnel is particularly high in markets where the METRO Group is expanding. This requires appropriate programs for in-house employee qualification. Continuing education and employee training activities promoted at all group levels are designed to guarantee the professional competences of group employees. Training and staff development programs help employees on all group levels develop the requisite entrepreneurial skills. The incorporation of variable pay components linked to business performance levels serves this purpose as well. Direct participation in business success increases employees' identification with the METRO Group, and enhances their awareness of opportunities and risks in all entrepreneurial decisions.

For more details, see the notes to the consolidated financial statements under no. 31

Litigation and tax risks Tax risks arise in particular in the context of tax audits. Litigation risks result from labor, criminal and civil law proceedings, among others. The METRO Group protects itself adequately against both types of risks by making special provisions.

These risks and the management of these risks are described in the notes to the consolidated financial statements under no. 38

Financial risks Financial risks include liquidity risks, price risks, creditworthiness risks and cash-flow risks.

SUMMARY OF THE RISK SITUATION AT THE METRO GROUP

On the whole, the assessment of the current risk situation has shown that there are no risks for the company as a going concern and that no risks that could endanger its existence in the future can be identified at the moment.

IX. SUPPLEMENTARY AND FORECAST REPORT

EVENTS AFTER THE BALANCE SHEET DATE

No events that are of material importance to an assessment of the earnings, financial and asset position of METRO AG and the METRO Group had occurred by February 26, 2007 (date of release of the accounts for presentation to the Supervisory Board). The Supervisory Board bears the task to control the consolidated financial statements and to declare if it is approved.

ECONOMIC OUTLOOK

In 2007 and 2008, global business trends once again will be largely shaped by the U.S. economy. The most likely scenario for the American economy is that it will make a "soft landing." The economy is being slowed by several factors: the significantly declining real estate market, relatively high prices for raw materials and energy as well as an inflation rate that requires tight-money policies. In the wake of these developments, the global economy is slowing, while avoiding a recession – the economy of Eastern Asia countries has developed enough momentum on its own to underpin the world's economy.

Euro zone: moderate slowdown in growth is expected

A moderate slowdown in growth is expected in the euro zone. After exports provided fresh fuel to the economy, domestic impulses will presumably grow in 2007/2008. As a result, growing employment and rising pay levels are expected to promote increased spending on private consumption.

Germany holds a special place in the euro zone: in 2007, the country's value-added tax was increased by an unprecedented amount – from 16 percent to 19 percent. Still, a reduced tax rate continues to apply to such things as food. But the tax increase and other fiscal actions certainly may draw buying power from households, causing private consumption to stagnate. As a result, Germany's overall economic growth rate will slightly lag that of the rest of Europe.

Thanks to increasing integration in the joint economic region, the new members of the European Union will continue their powerful upswing. They are profiting from international competitiveness, attractive tax systems and, as a result, investments from established EU countries. Only the Hungarian economy will grow considerably slower. This country's monetary and fiscal policies remain restrictive in a push to counteract undesirable societal and social developments with economic reforms.

As a result of its large reserves of raw materials, oil and natural gas as well as over the prices of raw materials and energy, Russia will maintain its rapid economic pace. This growth will fuel private consumption, which, in turn, will generate investments.

Asia will presumably continue the growth trend of the last years. Especially India and China will remain growth drivers of the East, Japan is expected to continue its consolidation path.

SECTOR OUTLOOK

The trade and retail sector is expected to profit from the robust world economy: in Western Europe, the significantly improved economic outlook will promote a slow rise in employment and higher incomes. Retail will profit from these trends as well. The major economies of Great Britain, Italy and France will contribute in particular to these positive trends.

Intense competition will continue to be the hallmark of German retail in 2007/2008. At best, growth will be further restrained by stagnating real incomes, and considerable increases in taxes and fees. Given these considerations, it can be assumed that German retail, in the strictest sense, most probably will not yet follow the economic growth trend. Rather, it will stagnate again in price-adjusted terms.

In many Eastern European countries, retail will continue to achieve high growth rates. In Russia, for instance, real growth of around 8 percent in 2007 and about 7 percent in 2008 is possible. In Poland, real growth of 4 to 5 percent might be achieved in 2007/2008 as a result of a considerable increase in private consumption.

In the Asian region, retail growth is expected to remain stable in 2007 and 2008. Each of the important economies can reach the growth rates of the previous year or slightly improve on them. Once again, China and India are powering the upswing of retail in this region. At a level of 6 percent, Pakistan may achieve the highest growth rate in private consumption.

DEVELOPMENT OF THE METRO GROUP

Metro Cash & Carry

In most Western European countries, the market volume for cash & carry will change little in the next few years. In Eastern Europe, on the other hand, significant growth is expected to continue in this trade segment. Metro Cash & Carry is expecting above-average positive developments in Russia and Ukraine. As a result, significant expansion of the location network in these countries is being planned. In Turkey, the continued good economic situation and rising consumption are forecast to provide further momentum.

The rapidly growing economies of Asia offer exceptional potential to Metro Cash & Carry. Even the market entry of system competitors will probably not produce a destructive fight in the marketplace. The continued growth is based on overall positive economic trends and on gains of market share being achieved at the expense of traditional wholesale. The general conditions of the Asian market are also very favorable. As a result, Metro Cash & Carry will continuously expand its network of locations in the years ahead in the Chinese market and press ahead with its commitment to India. The market entry to Pakistan is planned for 2007. Outside Asia, the sales brand is advancing its expansion in Eastern Europe. In 2007, the opening of 40 more locations is planned.

Real

In 2007, food retail in Germany could grow slightly. Real will concentrate in Germany on sharpening the sales brand's market profile with new concepts, expanding its leading market position and further improving its cost structure. Integrating the Wal-Mart locations into Real's sales network is scheduled to be completed by the middle of fiscal year 2007. In addition to one store, which was already scheduled to be closed by the middle of 2007 by the seller Wal-Mart, USA, another 15 of the 85 acquired locations will not remain in operation. The closure of the former headquarters for Wal-Mart Germany is scheduled for the third quarter of 2007.

In food retail, international markets offer good growth potential. This view applies in particular to Turkey, Russia and Romania. In addition to population growth and increasing levels of prosperity, ascension negotiations with the European Union are generating economic momentum in Turkey. In Russia, modern food retail formats are increasingly replacing traditional retail and are gaining market share. In the years ahead, Real will continuously expand its presence both in Russia and Romania, and open additional stores. In Poland, food retail will continue to profit from increased consumer spending. But the market environment is becoming difficult as a result of strong competitive pressure. In the Polish market, Real will expand its strong position by adding stores. New stores are planned for Turkey, too. In 2008, the first Real store in Ukraine is scheduled to be opened.

Media Markt and Saturn

New, innovative technologies will impact the future business direction of European consumer electronics retail. The growth driver will be digital technology, particularly flat screen technology for televisions and mobile telephony. Given consumers' continuing high needs for electronic products, the sector will post additional growth in Spain, Portugal and Greece. In Poland and Hungary, growing incomes and the increased spending on electronic products that arises from it will create further potential for sustainable growth by Media Markt and Saturn.

Western European consumer electronics retail is expected to grow 3 percent to 4 percent in 2007. Media Markt and Saturn will profit from this growth. As a result of their strong expansion, the sales brands are bolstering their market leadership in Europe. In 2007, about 70 new international stores are scheduled to be opened, including 15 to 20 in Germany. After making successful premieres in Sweden and Russia – including store openings in the cities of Stockholm, Gothenburg, Moscow and St. Petersburg – Media Markt is planning to enter Turkey in 2007. Saturn will enter the Belgian market in 2007.

In Germany's demanding retail environment, Media Markt and Saturn will expand their market leadership by boosting the locations in their networks and by intensive, eye-catching marketing activities.

Galeria Kaufhof

Given the unfavorable conditions faced by German retail, department store companies will have to continue fighting for customer trust and market share in 2007. Department stores' position in the mid-price range creates a special challenge for them because the sales concepts of the lower and upper segment continue to polarize. As a result of these factors, Kaufhof will continue to energetically refine the Galeria concept during fiscal year 2007 and to sharpen its profile as a lifestyle provider in the upper price segment.

In Belgium, positive sector trends are expected to continue. The Belgian department store chain Galeria Inno can continue to maintain its market leadership and gain market share.

OUTLOOK FOR THE METRO GROUP

We intend to forcefully continue our growth strategies in 2007 and 2008. On the basis of economic forecasts, the sector's business situation and developments in the sales divisions, we expect positive results for the METRO Group in 2007.

We expect the METRO Group's profitable growth strategy to lead to sales growth of about 6 percent and an even higher increase in EBIT before special items over the medium term. For fiscal year 2007 we project sales growth of 8 or 9 percent including the acquisitions of the Wal-Mart Germany group and the Géant business in Poland.

We are also striving to increase economic value added (EVA), our key measure of the company's success. As a result, the foundation would be laid for proposing an attractive dividend to the annual general meeting in the future.

Our investments in the current store network, including the switch of the Wal-Mart stores to the Real brand, and in our organic expansion are expected to total about €2.5 billion in 2007. As a result of continuing international expansion, the number of employees will continue to grow.

We are working to further extend our position as a leading international trade and retail company. In the process, we will continue to assume our social responsibility. We are focusing particularly on sensitizing consumers about a healthful lifestyle with a balanced diet and ample exercise. We stress the message through our long-term initiative called "Gut für Dich" (Good for You).

X. REMUNERATION REPORT[1]

STOCK-BASED COMPENSATION FOR EXECUTIVES

In 1999, METRO AG introduced a program of stock-based remuneration. The members of the Management Board and other executives of METRO AG as well as managing directors and executives of the operative METRO Group companies are eligible.

In the past, the executives of METRO AG and the cross-divisional service companies received options from a **stock option program.** The executives of the sales divisions received so-called **stock appreciation rights** that result in a cash payment when exercised.

Participation in the stock option program gave participants the right to acquire METRO AG common stock at a previously determined price for a set period of time. The exercise terms and conditions of the stock option program stipulated that the company may grant the qualifying SOP beneficiaries cash compensation in lieu of the delivery of new common stock, which is equal to the difference between the opening price and the applicable closing price of Metro stock at the time the options are exercised. This option was used by all beneficiaries of the program with regard to all subscription rights issued.

The stock options and stock appreciation rights held in the group during fiscal year 2006 changed as follows:

STOCK OPTIONS/STOCK APPRECIATION RIGHTS (METRO GROUP)

	2006		2005	
	Stock options units	Stock appreciation rights units	Stock options units	Stock appreciation rights units
Outstanding on Jan 1	507,420	1,460,120	1,476,693	3,155,760
Issued	0	0	0	0
Executed	471,020	1,263,650	575,503	1,058,365
Expired/forfeited	5,470	107,890	393,770	637,275
Outstanding on Dec 31	30,930	88,580	507,420	1,460,120

The rights with a maturity of approximately one year can be exercised following the end of a three-year blocking period. The rights may be exercised only if the stock price of METRO AG exceeded the basis price by at least 30 percent (exercise hurdle) during the last 20 consecutive trading days before the options were exercised after the end of the blocking period.

[1] Also part of the Corporate Governance Report 2006

The terms of the tranches existing at the end of 2006 are listed in the following table:

TRANCHES

				Stock options		Stock appreciation rights	
Tranche	Expiration date	Basis price	Exercising hurdle	Dec 31, 2006 units outstanding	Dec 31, 2005 units outstanding	Dec 31, 2006 units outstanding	Dec 31, 2005 units outstanding
2002	8 weeks after AGM in 2006	€28.73	€37.35	0	23,920	0	77,170
2003	8 weeks after AGM in 2007	€26.99	€35.09	30,930	483,500	88,580	1,382,950

In the year under review, 21,250 stock options and 62,480 stock appreciation rights were exercised from the 2002 tranche. The average strike price per right was €43.87. A total of 2,670 stock options and 14,690 stock appreciation rights were forfeited.

From the 2003 tranche, 449,770 stock options and 1,201,170 stock appreciation rights were exercised in the year under review. The average strike price per right was €44.09. A total of 2,800 stock options and 93,200 stock appreciation rights were forfeited, and the remaining term of the rights that may still be exercised from the 2003 tranche ends on 18 July 2007.

In fiscal year 2004, a five-year **stock bonus program** was introduced to replace the stock option program. In contrast to the previous granting of subscription rights, this program provides the entitlement to stock bonuses. The size of the cash bonus depends on the performance of the Metro stock price and the parallel consideration of benchmark indices.

The stock bonus program is divided into a tranche for each year, with the target parameters being calculated separately for each tranche. The maturity of each tranche is three years. The last tranche will be granted in 2008.

The size of the bonus initially depends on the ratio of opening price and target price.

The opening price of each tranche corresponds to the arithmetic mean of the closing prices of the METRO AG common stock in XETRA trading of Deutsche Börse AG in Frankfurt/Main on the 20 last consecutive trading days before the closing date (eight weeks after the respective annual general meeting).

The target price, upon which the full bonus is granted, is calculated based on the opening price and assumes a stock price increase of 15 percent over the course of three years. Whether the target price has been reached is determined by means of the arithmetic mean of the closing prices of the company's common stock in XETRA trading on the last 20 consecutive trading days before expiration of the relevant three-year period. The bonus increases or decreases proportionately when the stock price exceeds or falls below the 15 percent price target.

The size of the respective bonus also depends on the performance of the Metro stock compared with relevant German and European stock indices. When the Metro stock has outperformed these indices, the stock bonus is raised to 120 percent. When it underperforms, it is reduced to 80 percent. Outperformance or underperformance applies when the Metro stock exceeds or falls below the aforementioned average by more than 10 percent. Outperformance or underperformance is determined analogous to the determination of whether the target price has been reached.

The stock bonus is granted only if the terms of employment within the METRO Group have not been ended unilaterally or a contract termination has not been reached by mutual consent at the time of maturity. In addition, the payment of stock bonuses is limited to the amount of the fixed salary. Any potential excess amounts are used to raise the stock bonus during the following three years when the latter is lower than the target bonus.

The conditions of the tranches granted to executives so far are listed in the following table:

STOCK BONUS

Tranche	Due date	Basis price	Target price	Total target bonus
2004	July 2007	€37.14	€42.71	€21,610,000
2005	July 2008	€41.60	€47.84	€23,825,000
2006	July 2009	€43.15	€49.62	€25,510,000

The target bonus values are based on the assumption that the target prices are attained. The value of the stock bonus paid in 2006 was €32,764,776 at the time of payment and was calculated by independent experts using the Monte Carlo method.

COMPENSATION OF MANAGEMENT BOARD MEMBERS

Compensation for members of the Management Board is a component of an integrated compensation system for executives of the METRO Group. It creates performance incentives for the long-term growth of the company's value, and contains both fixed and variable elements. Total remuneration and the individual compensation components are geared appropriately to the responsibilities of each individual board member, his personal performance, the performance of the entire board and the economic situation of METRO AG.

Variable, performance-based compensation

The variable, performance-based compensation for members of the Management Board is determined in large part by the development of economic value added (EVA) and can also include the achievement of individually determined targets.

Positive EVA is achieved when the net operating profit exceeds the cost of capital needed to finance working capital. NOPAT (Net Operating Profit After Tax) is defined as operating profit before financing costs, but after income taxes. The cost of capital represents the compensation of the investors for the capital they provide and for their investment risk. It is calculated by multiplying the working capital with the weighted average cost of capital (WACC). In fiscal year 2006, the weighted average cost of capital of the METRO Group was unchanged from the previous year at 6.5 percent.

Delta EVA, the difference between current EVA and year-earlier EVA, plays a key role in the evaluation of corporate success. The development of delta EVA is therefore also a key basis of the EVA-based remuneration system for members of the Management Board. The EVA compensation system is based on a comparison of delta EVA with defined targets that were set by the Supervisory Board's Personnel and Nominations Committee under consideration of capital market expectations of value creation. If a target is achieved, an agreed-upon target bonus is paid in full (bonus factor 1.0).

Balanced remuneration systems consider not only the short-term, but also the medium- and long-term development of enterprise value. This is why the annual bonus entitlements from the EVA-based remuneration system are combined with a medium-term bonus bank. Even if the calculated bonus for any one year exceeds the target, it is only paid in full up to the target bonus. Any bonus amount in excess of the target bonus is initially credited to the bonus bank. Irrespective of the payment of the target bonus, a fixed percentage of the bonus bank deposit is paid out each year, with the remaining amount being carried forward. A negative bonus results in a reduction of bonus bank deposits. The negative bonus bank deposit for the sales divisions and the METRO AG is capped at a value of –1.0. If a bonus factor of more than +2.0 is generated in one or both of the two fiscal years following the capping, the remuneration share resulting from the bonus factor in excess of +2.0 is offset against the capping of the bonus bank. The bonus bank thus serves to balance bonus payments and to promote sustainable management decisions favoring long-term value creation.

The Personnel and Nominations Committee of the METRO AG's Supervisory Board sets the conditions for EVA-based Management Board remuneration, in particular the targets for the development of delta EVA, the target bonuses and the bonus bank system. By Management Board resolution, these conditions apply equally to all METRO Group executives. The Personnel and Nominations Committee supervises the systematic determination of EVA and the calculation of the EVA-based variable component of Management Board remuneration.

Stock-based compensation with long-term incentives

A stock option program forms another variable component of Management Board remuneration. It is tied to the direction of the METRO AG stock price and the sustained success of the METRO Group, and measures up to ambitious relevant benchmarks. The actual receipt of compensation from this program is linked to the fulfillment of all preconditions.

The stock option program was introduced in fiscal year 2004 as a result of a decision by the Presidential Committee and the Personnel and Nominations Committee of the Supervisory Board at METRO AG for members of the Management Board. It corresponds to the previously mentioned stock option program for executives of the METRO Group. The target bonuses for members of the Management Board are set each year by the Supervisory Board's Presidential Committee and the Personnel and Nominations Committee. The payment of the bonus can be limited by a decision of the Committee.

Remuneration in fiscal year 2006

The relevant individual amounts for the members of the Management Board are as follows[1]:

€1,000	Fixed salary	Variable, performance-based remuneration	Stock bonus 2006	Other remuneration	Total compensation
Dr. Hans-Joachim Körber	1,000	3,150	514	2	4,666
Zygmunt Mierdorf	800	2,100	424	9	3,333
Frans W. H. Muller[2]	333	856	424	97	1,710
Thomas Unger	683	1,789	424	12	2,908
Prof. Stefan Feuerstein[3]	467	560	0	39	1,066
Total	3,283	8,455	1,786	159	13,683

[1]The company's pro rata expenses for stock-based compensation with maturities in fiscal year 2006 or later must also be shown pursuant to §§ 285 Sentence 1 No. 9 a, 314 Section 1 No. 6 a German Commercial Code: Dr. Körber €1,050,000, Mr. Mierdorf €867,000, Mr. Muller €73,000, Mr. Unger €867,000 and Prof. Feuerstein €243,000
[2]Member of the Management Board since Aug 1, 2006
[3]Member of the Management Board until July 31, 2006

The amount of the variable, performance-based compensation for fiscal year 2006 results from EVA-based compensation entitlements whose complete payment is dependent, as a result of the bonus bank system, on EVA factors from past and future years.

In addition, stock-bonus entitlements with long-term incentives that were granted to be posted at their fair value at the time of granting (see above table).

Due to the granting of a monetary target bonus, a number of subscription rights in accordance with §§ 285 Sentence 1 No. 9a, 314 Section 1 No. 6a German Commercial Code cannot be released. The payment of the bonuses depends on the previously described conditions of the stock option plan.

Other remuneration includes non-cash benefits from the provision of company cars and benefits related to guidelines for promoting international mobility among executives of the METRO Group.

Payment after the end of employment

In fiscal year 2006 a total of €2.3 million was used for remuneration of active members of the Management Board of METRO AG for services after the end of their employment. Individually, the amounts totaled:

€1,000 (rounded)	
Dr. Hans-Joachim Körber	1,722
Zygmunt Mierdorf	536
Total	2,258

The previously listed amounts also cover allocations to reserves for payments following the end of the employment contracts of Dr. Körber and Mr. Mierdorf. These commitments materially provide for a one-time capital sum to be granted when they leave the company. This will be determined on the basis of the average compensation from the past two calendar years, consisting of salary and performance-based compensation. It will amount to at least the salary and performance-based compensation on the basis of a simple EVA bonus. Dr. Körber will receive twice the amount of the calculated total. Mr. Mierdorf will receive this single total.

Furthermore, this provision concerns insurance premiums to cover pension commitments for Dr. Körber that increase from the profit-sharing of the insurance contract and are adjusted annually to meet the increased cost of living. For Mr. Mierdorf, provisions are being made for pension commitments that will be paid out when Mr. Mierdorf turns 60, or if he were to become permanently incapacitated or his employment contract were to be terminated prematurely or not renewed. In the latter two cases, other income will be deducted from the pension commitments. The pension commitment for Mr. Mierdorf is also adjusted annually to cover the increased cost of living. Both commitments were made before their appointment to the Management Board.

Should the employment contract be canceled prematurely as a result of changes in oversight and strategy, Dr. Körber and Mr. Mierdorf will retain the entitlements arising from the employment contracts even if they terminate the contract. No such agreements have been reached with employees.

Total compensation of former members of the Management Board

Former members of the Management Boards of METRO AG and the companies that were merged into METRO AG as well as their surviving dependents received €6.2 million. The provisions for current pensions and pension entitlements made for this group totaled €40.4 million.

COMPENSATION OF THE MEMBERS OF THE SUPERVISORY BOARD

Remuneration of members of the METRO AG Supervisory Board is regulated by § 13 of METRO AG's Articles of Association.

Aside from the reimbursement of cash expenses, the members of the Supervisory Board of METRO AG receive a fixed payment and a performance-based payment. Fixed compensation amounts to €35,000 per board member. The performance-related remuneration component is based on earnings before taxes and minorities (EBT) in the METRO AG financial statements. Each member of the Supervisory Board receives €600 per €25 million in EBT exceeding an EBT (before regular goodwill amortization) of €100 million for the average of fiscal year 2006 and the two preceding fiscal years.

The individual size of fixed and performance-based Supervisory Board remuneration takes into account the duties and responsibilities of the individual Supervisory Board members by consideration of special assignments. The compensation of the chairman of the Supervisory Board is three times higher than that of an ordinary member of the Supervisory Board; that of the vice chairman and the chairmen of the Committees is twice as high; and that of the other members of the committees one and a half times higher, respectively. A Supervisory Board member who holds several offices receives compensation for only one office, in the case of different levels of remuneration for the most highly paid office.

The total compensation of all members of the Supervisory Board amounted to a net €1.7 million in fiscal year 2006. The fixed component accounted for €0.9 million and the performance-based element for €0.8 million. The performance-based compensation will be payable after METRO AG's annual general meeting on May 23, 2007.

The following individual totals apply in fiscal year 2006:

COMPENSATION OF THE SUPERVISORY BOARD

In €	Fixed compensation	Performance-based compensation
Dr. Eckhard Cordes, Chairman (since February 2006)	96,250	86,592
Prof. Dr. Theo Siegert, Chairman (until February 2006)	17,500	15,744
Klaus Bruns, Vice Chairman	70,000	62,976
Dr. Wulf H. Bernotat	35,000	31,488
Prof. Dr. Dr. h. c. Klaus Brockhoff	35,000	31,488
Ulrich Dalibor	52,500	47,232
Prof. Dr. Dr. h. c. mult. Erich Greipl	52,500	47,232
Jürgen Hennig	35,000	31,488
Anja Kiehne-Neuberg	52,500	47,232
Werner Klockhaus	52,500	47,232
Peter Küpfer	35,000	31,488

Chart continued on next page

COMPENSATION OF THE SUPERVISORY BOARD

In €	Fixed compensation	Performance-based compensation
Rainer Kuschewski	35,000	31,488
Dr. Klaus Mangold	35,000	31,488
Marianne Meister	35,000	31,488
Dr. rer. pol. Klaus von Menges	35,000	31,488
Dr.-Ing. e. h. Bernd Pischetsrieder	35,000	31,488
Sylvia Raddatz	35,000	31,488
Renate Rohde-Werner	35,000	31,488
Dr. jur. Hans-Jürgen Schinzler	52,500	47,232
Dr. Manfred Schneider	52,500	47,232
Peter Stieger	35,000	31,488
Total	918,750	826,560

In fiscal year 2006, the members of the Supervisory Board of METRO AG received €0.1 million in net compensation for Supervisory Board mandates (and in one case for an advisory council mandate) at group companies. The amounts listed in the following table apply to the individual members of the METRO AG Supervisory Board. Beyond this, the members of the Supervisory Board were not granted any remuneration or benefits for work performed, in particular consulting and brokerage services, on behalf of other companies of the METRO Group in the sense of Subsection 5.4.7 of the German Corporate Governance Code.

OTHER INTRA-GROUP COMPENSATION

In €	
Ulrich Dalibor	33,200
Prof. Dr. Dr. h. c. mult. Erich Greipl	49,800
Rainer Kuschewski	6,136
Marianne Meister	9,000
Sylvia Raddatz	9,000
Peter Stieger	9,203
Total	116,339

The above amounts do not include the remuneration entitlements of one Supervisory Board member from intra-group Supervisory Board mandates of which the Supervisory Board member waived the payment.

XI. NOTES PURSUANT TO § 315 SECTION 4 GERMAN COMMERCIAL CODE

COMPOSITION OF CAPITAL

On December 31, 2006, the capital stock of METRO AG totaled €835,419,052.27. It is divided into a total of 326,787,529 no-par-value bearer shares. The proportional value per share amounted to about €2.56.

The capital stock is broken down into the following types of stock:

Common stock	Shares	324,109,563	
	Proportional value of the capital stock in €	828,572,941	(Yields 99.18 %)
Preferred stock	Shares	2,677,966	
	Proportional value of the capital stock in €	6,846,111	(Yields 0.82 %)
Total capital stock	Shares	326,787,529	
	€	835,419,052	

Each share of common stock of METRO AG grants an equal voting right. In addition, common stock of METRO AG entitles the holder to dividends. In contrast to common stock, preferred stock does not carry any voting rights and is equipped with a preferential right to profits in line with § 21 of the Articles of Association of METRO AG, which state:

"(1) Holders of non-voting preferred stock will receive from the annual net earnings a preferred dividend of €0.17 per share of preferred stock.

(2) Should the net earnings available for distribution not suffice in any one fiscal year to pay the preferred dividend, the arrears (excluding any interest) shall be paid from the net earnings of future fiscal years in an order based on age, i.e. in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a fiscal year are not distributed until all of any accumulated arrears have been paid.

(3) After the preferred dividend has been distributed, the common stockholders will receive a dividend of €0.17 per share of common stock. Thereafter, a non-cumulative extra dividend of €0.06 per share will be paid to the holders of non-voting preferred stock. The extra dividend shall amount to 10 percent of such dividend as, in accordance with section 4 herein below, will be paid to the holders of common stock inasmuch as such dividend equals or exceeds €1.02 per share of common stock.

(4) The holders of non-voting preferred stock and of common stock will equally share in any additional profit distribution at the ratio of their shares in the capital stock."

Other rights associated with common and preferred stock include in particular the right to attend the annual general meeting (§ 118 Section 1 Stock Corporation Law), the right to information (§ 131 Stock Corporation Law) and the right to file a legal challenge or a complaint for nullity (§§ 245 No. 1–3, 246, 249 Stock Corporation Law). In addition to the previously mentioned right to receive dividends, stockholders have a subscription right when the capital stock is increased (§ 186 Section 1 Stock Corporation Law), a claim to liquidation proceeds after the closure of the company (§ 271 Stock Corporation Law) and claims to compensation and settlements as a result of certain structural measures, particularly those pursuant to §§ 304 ff., 320 b, 327 b of the Stock Corporation Law.

LIMITATIONS RELEVANT TO VOTING RIGHTS

According to information obtained by the Management Board, an agreement has been set up among O.B. Betriebs GmbH, Overpart GmbH (formerly Beisheim Holding GmbH), BVG Beteiligungs- und Vermögensverwaltung GmbH, Franz Haniel & Cie. GmbH, Haniel Finance B.V., Haniel Finance Deutschland GmbH, METRO Vermögensverwaltung GmbH & Co. KG, METRO Vermögensverwaltung GmbH, the 1. HSB Beteiligungsverwaltung GmbH & Co. KG and the 1. HSB Verwaltung GmbH to coordinate the exercise of voting rights associated with shares of METRO AG, which can be regarded as restrictions in the sense of § 315 Section 4 No. 2 German Commercial Code.

CAPITAL INTERESTS

Notes pursuant to § 315 Section 4 No. 3 German Commercial Code – direct and indirect (pursuant to § 22 German Securities Trading Act) capital interests that exceed 10 percent of the voting rights:

Name/company	Direct/indirect stakes exceeding 10 percent of voting rights
METRO Vermögensverwaltung GmbH & Co. KG, Düsseldorf	direct and indirect
METRO Vermögensverwaltung GmbH, Düsseldorf	indirect
1. HSB Beteiligungsverwaltung GmbH & Co. KG, Schönefeld-Waltersdorf	direct and indirect
1. HSB Verwaltung GmbH, Schönefeld-Waltersdorf	indirect
Haniel Finance B.V., Venlo/Netherlands	indirect
Haniel Finance Deutschland GmbH, Duisburg	indirect
Franz Haniel & Cie. GmbH, Duisburg	indirect
Prof. Otto Beisheim Stiftung, Baar/Switzerland	indirect
O.B. Betriebs GmbH, Munich	indirect
O.B.V. Vermögensverwaltungs GmbH & Co. KG, Düsseldorf	indirect
O.B.V. Vermögensverwaltungs GmbH, Düsseldorf	indirect
Overpart GmbH (formerly Beisheim Holding GmbH), Baar/Switzerland	indirekt
Prof. Dr. Otto Beisheim, Baar/Switzerland	indirect
BVG Beteiligungs- und Vermögensverwaltung GmbH, Essen	indirect
Gebr. Schmidt GmbH & Co. KG, Essen	indirect
Gebr. Schmidt Verwaltungsgesellschaft mbH, Essen	indirect
Dr. Michael Schmidt-Ruthenbeck, Zurich/Switzerland	indirect

The above information is based on notifications under § 21 of the German Securities Trading Act which METRO AG received and released in fiscal year 2006.

REGULATIONS GOVERNING THE APPOINTMENT AND REMOVAL OF MANAGEMENT BOARD MEMBERS, AND CHANGES TO THE ARTICLES OF ASSOCIATION

In instances when members of the Management Board are appointed and removed, legal regulations laid down in §§ 84, 85 of the German Stock Corporation Act and §§ 30, 31, 33 of the German Codetermination Act apply. A supplementary regulation is contained in § 5 in the METRO AG's Articles of Association. It states:

"(1) The Management Board shall consist of at least two members.

(2) Apart from this, the Supervisory Board shall determine the number of members on the Management Board."

Changes to the Articles of Association at METRO AG are determined principally in accordance with §§ 179, 181, 133 of the German Stock Corporation Act. Numerous other sections of the Stock Corporation Act would apply to a change to the Articles of Association, and modify or supersede the previously mentioned regulations, e.g. §§ 182 ff. of the Stock Corporation Act during capital increases, §§ 222 ff. of the Stock Corporation Act during capital reductions or § 262 of the Stock Corporation Act during the dissolution of the AG. Pursuant to § 14 of the METRO AG's Articles of Association, changes that would affect only the text of the Articles of Association may be decided by the Supervisory Board without a vote by the annual general meeting.

AUTHORITIES OF THE MANAGEMENT BOARD

Authorities to issue new shares

In accordance with § 202 Section 1 of the Stock Corporation Act, the annual general meeting can authorize the Management Board to increase the capital stock through the issuance of new shares against deposit. The following authorizations exist at the moment:

Authorized capital I

On May 23, 2002, the annual general meeting resolved to authorize the Management Board to increase the capital stock, with the approval of the Supervisory Board, by issuing new common bearer shares in exchange for cash contributions in one or several tranches for a total maximum of €40,000,000 (authorized capital I) by May 23, 2007. A subscription right is to be granted to existing stockholders. However, the Management Board has been authorized to restrict this subscription right, with the approval of the Supervisory Board, to the extent required to grant the holders of option bonds and convertible bonds issued by METRO AG and its wholly owned direct or indirect subsidiaries a right to purchase the number of new shares to which they would be entitled upon exercise of their option/conversion rights and to further exclude the subscription right to compensate for fractions of shares from rounding. In addition, the Management Board has been authorized to restrict the stockholders' subscription rights, with the prior approval of the Supervisory Board, for one or several capital increases under the authorized capital, provided that the total par value of such capital increases does not exceed 10 percent of the capital stock registered in the commercial register at the time the authorized capital is first utilized, and further provided that the issue price of the new shares is not substantially below the market price of listed shares of the same category at the time the initial offering price of the new issue is finally fixed. The Management Board is authorized to determine all further details of the capital increases with the prior approval of the Supervisory Board. To date, authorized capital I has not been used.

Authorized capital II

On May 23, 2002, the annual general meeting resolved to further authorize the Management Board, with the approval of the Supervisory Board, to increase the company's capital stock by issuing new common bearer shares in exchange for non-cash contributions in one or several issues for a maximum total of €60,000,000 by May 23, 2007 (authorized capital II).The Management Board is authorized, with the approval of the Supervisory Board, to decide on the restriction of the subscription rights and to determine all further details of the capital increases. To date, authorized capital II has not been used.

Authorized capital III

On June 4, 2004, the annual general meeting further authorized the Management Board, with the prior approval of the Supervisory Board, to increase the company's capital stock by issuing new common bearer shares in exchange for cash contributions in one or several issues for a maximum total of €100,000,000 by June 3, 2009 (authorized capital III). Existing stockholders shall be granted a subscription right. However, the Management Board has been authorized to restrict the subscription right, with the prior approval of the Supervisory Board, to the extent required to grant the holders of option bonds and convertible bonds issued by METRO AG and all direct or indirect subsidiaries in which METRO AG holds at least 90 percent of the capital stock a right to purchase the number of new shares they would be entitled to upon exercise of their option/conversion rights and to further rule out subscription rights to compensate for fractions of shares from rounding. In addition, the Management Board has been authorized to restrict the stockholders' subscription rights, with the prior approval of the Supervisory Board, for one or several capital increases under the authorized capital, provided that the total par value of such capital increases does not exceed 10 percent of the capital stock registered in the commercial register at the time the authorized capital is first utilized, and further provided that the issue price of the new shares is not substantially below the market price of listed shares of the same category at the time the initial offering price of the new issue is finally fixed. The maximum limit of 10 percent of the capital stock decreases in proportion to the amount of capital stock that is comprised of the company's treasury stock issued as part of the authorized capital III under exclusion of the subscription right of the stockholders pursuant to § 71 Section 1 Subsection 8 Sentence 5, § 186 Section 3 Sentence 4 of the German Stock Corporation Act. The maximum limit also falls in proportion to the amount of capital stock that is comprised of those shares issued to service option bonds and/or convertible bonds with option or conversion rights or with conversion duties if the bonds were issued during the duration of authorized capital III under the exclusion of the subscription right in the corresponding application of § 186 Section 3 Sentence 4 of the Stock Corporation Act. To date, authorized capital III has not been used.

Authorized capital IV

The annual general meeting held on June 4, 2004, further authorized the Management Board, with the approval of the Supervisory Board, to increase the company's capital stock by issuing new common bearer shares in exchange for non-cash contributions in one or several issues for a maximum total of €125,000,000 by June 3, 2009 (authorized capital IV). The Management Board has been authorized, with the approval of the Supervisory Board, to decide on the restriction of the subscription right. To date, authorized capital IV has not been used.

Stock option program

The annual general meeting of July 6, 1999, approved a stock option program for executives.

Within the framework of the METRO AG's stock option program, the Management Board distributed stock options to executives in the years 1999–2003. On December 31, 2006, a total of 30,930 options remained in effect. In compliance with the agreed terms of exercise, it was decided that cash compensation would be provided to executives entitled to the options in place of new shares of common stock when the existing subscription rights were exercised.

Authority to acquire the company's own stock

METRO AG is authorized to acquire its own stock in accordance with § 71 of the German Stock Corporation Act.

On the basis of § 71 Section 1 No. 8 of the Stock Corporation Act, the annual general meeting decided on May 18, 2006:

"a) On or before November 18, 2007, the company is hereby authorized to acquire the company stock of any share class. The authorization shall be limited to the acquisition of shares that make up a maximum of 10 percent of the capital stock that existed as of the date that this resolution was adopted. The authorization may be exercised in whole or in part, in the latter case several times. It also may be exercised either for common stock or for preferred stock only.

b) The stock may be acquired on the stock exchange or through a public tender offer made to all company stockholders.

- If the shares are acquired on the stock exchange, the price per share paid by the company (excluding incidental transaction prices) may not exceed or fall below the arithmetic average of the closing auction price of the company shares of the same class in the XETRA trading system (or in a comparable system that replaces the XETRA system) at the Frankfurt Stock Exchange during the last three trading days immediately preceding the acquisition by more than 10 percent.

- If the shares are acquired through a public tender offer made to all stockholders of the company, the offered purchase price per share may not exceed or fall below the arithmetic average of the closing auction price of company shares of the same class in the XETRA trading system (or in a comparable system that replaces the XETRA system) at the Frankfurt Stock Exchange during the last three trading days immediately preceding the date of the announcement of the offer by no more than 20 percent. A public tender offer may provide for preferred acceptance of sell offers for small numbers of stock up to 100 shares per stockholder.

c) In addition to selling acquired shares on the stock exchange or by offer to all stockholders, the Management Board is authorized, subject to approval of the Supervisory Board, to use the company shares acquired in accordance with the authorization granted in paragraph a) above for any of the following purposes:

(1) Listing of company shares on international stock exchanges where they had not been admitted to trading yet

(2) Transfer of company shares to a third party as part of a company merger or of the acquisition of companies, divisions of other companies or interests in other companies

(3) Redemption of company shares, without the redemption and implementation of such being subject to another decision by the annual general meeting

(4) Sale of company shares through means other than the stock exchange or an offer to all stockholders provided that the stock is sold for a cash payment and at a price that is not substantially lower than the stock market price for company shares of the same class at the time of the purchase. The foregoing authorization shall be limited to the acquisition of shares collectively representing no more than 10 percent of the capital stock. The limit of 10 percent of the capital stock shall be reduced by the amount of capital stock represented by any shares issued (a) during the effective period of this authorization in the course of any capital increase by exclusion of subscription rights pursuant to § 186 Section 3 Sentence 4 of the German Stock Corporation Act or (b) to service option bonds and/or convertible bonds with option or conversion rights or conversion obligations if such bonds were issued during the effective period of the authorization by exclusion of the subscription rights by analogous application of § 186 Section 3 Sentence 4 of the Stock Corporation Act

(5) Issuance of stock to holders of option bonds or convertible bonds of the company or its affiliates in accordance with the terms and conditions applicable to such bonds, including the issuance of stock based on the exercise of subscription rights that, in the event of a sale of treasury stock through an offer to stockholders may be granted to holders of option or convertible bonds of the company or any of its affiliates to the same extent that holders of such option or convertible bonds would have had a subscription right to company stock after exercising

their option and conversion rights or performing their option or conversion obligations. The shares issued on the basis of this authorization shall collectively not exceed 10 percent of capital stock if such stock is used to service conversion and option rights or conversion obligations that were issued or created by analogous application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act. Stock issued or sold by direct or analogous application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act during the effective period of this authorization to the date of use of treasury stock shall count towards the aforementioned limit.

d) The authorizations granted in Paragraph c) may be exercised on one or several occasions, in whole or in part. The price at which shares of the company are initially listed on foreign stock exchanges pursuant to the authorization in Paragraph c) No. (1) und (4) or are sold to third parties for cash payments shall not fall below the arithmetic average of the closing auction price of company shares in the same category in the XETRA trading system (or in a comparable system that replaces the XETRA system) at the Frankfurt Stock Exchange during the last five trading days immediately preceding the date of the listing on the exchange or a legally binding agreement with a third party by more than 5 percent.

e) Subscription rights shall be excluded if treasury stock is used for any of the purposes authorized in Paragraph c) No. (1), (2), (4) and (5)."

Authorization for issuing option bonds and convertible bonds

The annual general meeting on June 4, 2004, authorized the Management Board, with the approval of the Supervisory Board, to issue bearer and/or registered option and/or convertible bonds by June 3, 2009, in one or several tranches totaling up to a nominal value of €1,000,000,000 with a maturity of at least 15 years and to grant the option bond holders option rights or owners of convertible bonds conversion rights for new shares of common stock in the company in proportion to the capital stock of up to €127,825,000 pursuant to option bond or convertible bond conditions.

In addition to euros, the option bonds and/or convertible bonds may be issued – limited to the equivalent euro value – in the legal currency of an OECD country. The option bonds and/or convertible bonds may also be issued by the affiliates (§ 18 of the German Stock Corporation Act) of METRO AG in which METRO AG directly or indirectly holds at least 90 percent of the capital stock. In this case, the Management Board is authorized to assume the guarantee for the option bonds/convertible bonds on behalf of the company and to grant option or convertible bond rights for new shares of METRO AG common stock to the holders of option or convertible bonds.

All stockholders are entitled to a subscription right. The option bonds or convertible bonds should be assumed by a lending institution or a consortium under the condition that they will be offered to the stockholders. The company must also ensure the stockholders' legal subscription right when the option bonds and/or convertible bonds are issued by a 90 percent direct or indirect group company of METRO AG. The Management Board, however, is authorized, with the approval of the Supervisory Board, to exclude odd-lot amounts resulting from subscription conditions from the subscription right of stockholders and to preclude the subscription right insofar as it is necessary to grant holders of previously issued option and convertible rights at the time of the new issue or holders of option or convertible bonds containing option and conversion obligations a subscription right to the extent that they would be entitled after exercising the option or conversion rights or after fulfilling option and conversion obligations.

The Management Board is further authorized, with the approval of the Supervisory Board, to exclude the subscription right of stockholders to option and/or convertible bonds insofar that the Management Board has concluded after a mandatory review that the issue price of the option or convertible bonds does not significantly fall below their hypothetical market value as calculated by recognized financial-mathematic methods. This authorization to issue option or convertible bonds under the exclusion of the subscription right in accordance with § 186 Section 3 Sentence 4 German Stock Corporation Act applies only so far as the shares being issued to satisfy conversion option rights do not collectively exceed 10 percent of the capital stock that existed as of the date of the initial exercise of this authorization. The maximum limit of 10 percent of the capital stock decreases in proportion to the amount of capital stock that is comprised of the company's stock issued during the authorization period under the exclusion of the subscription right in accordance with § 186 Section 3 Sentence 4 of the Stock Corporation Act in connection with a capital increase or sold from a pool of treasury stock.

In the case of the issuance of option bonds, one or several options are added to every partial debenture that, according to the option conditions, entitle the owner to acquire the company's common stock. The proportionate share of capital stock that is allotted to the subscription shares for each partial debenture may not exceed the nominal value of the option bond. Under the option and bond conditions, fractional amounts of stock may be turned into complete shares, including upon the payment of an additional sum. The maximum period of the option right is 15 years.

In the case of the issuance of convertible bonds, the holders of the debentures receive the indefeasible right to transform their convertible debentures under the conditions of the convertible bonds into the company's common stock. The conversion ratio results from dividing the nominal value or the issue amount of a partial debenture that is below the nominal value by the fixed conversion price for a common share of company stock. The convertible bond conditions can stipulate that the conversion ratio is variable and the conversion price can be altered within a fixed band depending on the course of the common stock's price during the authorization period. In any case, the conversion ratio can be rounded up or down to a whole number. In addition, a cash payment can be set. Furthermore, it can be stipulated that non-convertible amounts will be combined and/or settled with a money payment.

The convertible bond or option conditions can constitute a convertible or option obligation at the end of the duration period or at some other point in time, or provide for the right of the company to grant, at the time of maturity of the convertible or option bonds, shares of common stock in the company or in another listed business to bondholders completely or partially in the place of the payment of the due amount upon maturity.

In each case, the bond conditions can stipulate that, in the case of the exercise of conversion or options (including as a result of a conversion or warrant option or as a result of the company's exercise of a stock issuance option) some treasury stock can be granted. It can further be stipulated that the company will not provide company stock to people entitled to conversions or options. Rather, the amount will be paid in cash. Under the bond conditions, this amount will correspond to the volume-weighted average of the price of the METRO AG's common stock in XETRA trading on the Frankfurt Stock Exchange or in an equivalent successor system on at least two successive trading days during the period of 10 trading days before and 10 trading days after the announcement of the conversion or the exercise of the option.

The individually fixed option or conversion price for a share of common stock must amount to at least 80 percent of the volume-weighted average of the price of the METRO AG's common stock in XETRA trading on the Frankfurt Stock Exchange or an equivalent successor system on 10 trading days before the Management Board's decision about issuing option bonds or convertible bonds. Deviations may be made for cases of option and conversion obligations or the issuance of stock on the basis of the exercise of a company voting right. In this case, the bond conditions must provide for a warrant or conversion price for a share of the company's common stock that is at least 80 percent of the volume-weighted average of the price of the METRO AG's stock in XETRA trading on the Frankfurt Stock Exchange or in an equivalent successor system during the reference time period of 3 to 20 trading days before the maturity of the option bond or convertible bond or the start of an option obligation. For the concession of the subscription right, the individually determined option and conversion price for a share of common stock (subject to the special regulation covering cases of option or conversion obligation or the transmittal of stock on the basis of a voting right of the company) must amount to at least 80 percent of the volume-weighted average of the price of the METRO AG's common stock in XETRA trading on the Frankfurt Stock Exchange or in an equivalent successor system during the days on which the subscription rights to option bonds and convertible bonds were traded on the Frankfurt Stock Exchange, with the exception of both final days of the subscription right trading. In each of the described cases, § 9 Section 1 of the German Stock Corporation Act shall remain unaffected.

Irrespective of § 9 Section 1 of the German Stock Corporation Act, the option and conversion price will be discounted as a result of an antidilution clause following a more detailed determination of the option or convertible-bond conditions if the company, during the option or conversion term, increases the capital stock including a subscription right to its stockholders or raises capital from the company's financial resources or issues or guarantees further option bonds or convertible bonds or option rights and does not grant a subscription right to holders of option and conversion rights to the extent to which they are entitled after the exercise of the option or conversion right. In addition, the conditions could provide for, in cases of a reduction in capital or other exceptional measures or events, including unusually high dividends or a takeover by a third party, an adjustment of the option and conversion rights or option or conversion obligations or the regulations concerning the exercise of company options for a supply of stock.

The Management Board is authorized to clarify the additional details concerning the issue and conditions of option bonds and/or convertible bonds, particularly the interest rate, issue price, maturity and denominations, option or conversion price and option or conversion period, or to determine in consultation with the departments of the group companies issuing the option bonds and/or convertible bonds.

FUNDAMENTAL AGREEMENTS RELATED TO THE CONDITIONS OF A TAKEOVER AND COMPENSATION AGREEMENTS IN CASE OF A TAKEOVER

As a borrower, METRO AG is a party to three consortium loan contracts that the lender may cancel in the case of a takeover inasmuch as the credit rating of METRO AG also drops in a way stipulated in the contract. The requirements of a takeover are, first, that the stockholders who controlled METRO AG at the time when each contract was signed lose this control. The second requirement is the takeover of control of METRO AG by one or several parties. The lending banks may cancel the contract and demand the return of the loan only if the takeover and the drop in the credit rating occur cumulatively. In 2006, the average amount used from the consortium loan contracts was €217 million.

In the event that a takeover led to a significant change in strategy, the Management Board members Dr. Körber and Mr. Mierdorf would be authorized to resign from their board positions at the end of the third month that followed the change in control and strategy and to terminate their employment contracts. In the event of such an extraordinary termination of their employment contracts, Dr. Körber and Mr. Mierdorf would retain the remuneration entitlements arising from each contract.

03

METRO SALES BRANDS

Successful combination of individual strengths: The METRO Group's strong brands and customer-oriented sales concepts are the backbone of its international success.

MANY VOICES IN HARMONY: THE EUROPEAN ORCHESTRA

Playing together requires mutual respect. Appreciation and esteem between the fellow musicians is what enables an orchestra to soar. In the global concert arena, Europe performs best when the individual voices of its member states come together to form a powerful chorus. This is the strength of a **culture informed by mutual respect**.

METRO CASH & CARRY: GLOBAL MARKET LEADER IN SELF-SERVICE WHOLESALE

Customer-focused, innovative, international – the Metro Cash & Carry sales division is one of the growth drivers at the METRO Group. With the unmistakable profile of its Metro and Makro brands, it has been the undisputed market leader in the cash & carry segment for more than four decades. Its business success is reflected in its constantly growing sales, which reached nearly €30 billion in the reporting year. At the end of 2006, the sales network comprised 584 locations in 28 countries.

For more than 20 million commercial customers, the Metro and Makro wholesale stores are the first stop each day. The range offered is directed especially at hotel, restaurant and kiosk operators, caterers, small grocers and increasingly also at service providers. Under a single roof, the stores offer up to 20,000 articles in the area of food and beverages and 30,000 nonfood items. The food business generates more than 70 percent of sales. Efficient logistics and a comprehensive quality-assurance system ensure that the stores have a broad assortment of fresh products on sale each day.

Internationally adaptable merchandizing concept

Customer needs and shopping habits vary from country to country, sometimes in significant ways. To be internationally successful, a trade company must meet this challenge in an appropriate way. By employing a highly flexible, adaptable merchandizing concept, the Metro Cash & Carry sales brand addresses local customer wishes and consumer habits.

Three store formats provide customized product ranges. They differ in terms of selling space and assortment depth. Under this system, the largest Metro Cash & Carry wholesale stores sell up to 50,000 different food and nonfood products on 10,000 to 16,000 square meters. The company operates such stores primarily in Western Europe. The mid-range store format with 7,000 to 9,000 square meters of selling space has proven itself primarily in Eastern Europe and Asia. The third wholesale store category has 2,500 to 4,000 square meters of selling space and focuses on fresh products. The format is widely used in France, and is gaining popularity in Southern Europe and Japan.

Professionals serving professionals: Metro Cash & Carry offers commercial customers up to 50,000 products under one roof

METRO CASH & CARRY

	2006
Sales	€29.9 billion
EBIT	€1,111 million
Number of locations	584 in 28 countries
Total selling space	4.5 million m²
Headcount (annual average of full-time equivalents)	97,779

Various store formats fulfill the needs of local customers

Until now, all store formats were generally used as stand-alone wholesale stores. In the growth regions of Asia, Metro Cash & Carry is now employing a new building concept, which integrates the wholesale stores into building complexes, clearing the way for the opening of locations in high-priced business areas at low acquisition and operating costs.

In the German market, the C+C Schaper brand complements the offer of our sales division. The wholly owned subsidiary of Metro Cash & Carry Germany employs a sales system characterized by extreme flexibility: Customers can either pick up their purchases themselves or have them delivered.

On the global growth path

At Metro Cash & Carry, international expansion is the crucial factor for long-term profitable growth. In fiscal year 2006, our sales brand opened a total of 41 wholesale stores. The focus last year – just like in previous years – was on Asian and Eastern European growth regions. Prosperity and buying power are expanding in an extraordinarily dynamic way in the emerging markets. In China alone, forecasts show that by 2012 more than 300 million people will have risen to the middle class. With its eye on this progress, Metro Cash & Carry expanded its location portfolio to 33 wholesale stores in China during 2006. The sales brand expanded rapidly in Russia: at the end of 2006, five years after market entry, Metro Cash & Carry was operating more than 30 wholesale stores here.

Concentration of sales networks in the growth markets of Asia and Eastern Europe

By tapping strategically vital markets, our sales division is doing something more than bolstering its business future. It is also emerging as an important economic factor: as an employer of people who live in these areas, as a buyer of products from the region and as a pioneer in the creation of a modern retail structure. This promotes trust and acceptance by local residents. Metro Cash & Carry acquires more than 90 percent of the products sold in its wholesale stores from local producers and suppliers. Our sales brand also relies on local employees, including in managerial positions. The locations profit from targeted international knowledge transfers: in the "House of Training," Metro Cash & Carry in Düsseldorf, Paris and Shanghai trains young employees for specialist and managerial positions in trade and retail. An additional regional training center is scheduled to be opened in Moscow during 2007.

Innovative concepts strengthen customer retention and profitability

Customers profit from innovative concepts

Seeking to sharpen its brand profile internationally, Metro Cash & Carry intensified its customer-support activities in 2006 and optimized its service offerings. One focal point was intensifying the direct dialogue with customers and suppliers. In France, Italy, Portugal, Romania and Spain, the event called "Metro Expo" served as a communication platform. Customers from the areas of hotel, restaurants and catering as well as suppliers used the opportunity to exchange thoughts, formulate their wishes and explore improvement potential.

Metro Cash & Carry has made a clear statement about customer-focused concept innovation with the redesign of its Düsseldorf wholesale store with new types of merchandise presentation. Particularly appealing is the walk-in wine humidor with a large selection of high-quality wines. Other innovations at the store include the latest technology designed to speed up shopping while making it more appealing. One feature of this new technology is a new type of check-out system. Acceptance of these innovations among customers has been high. They have completely or partially been incorporated into wholesale stores in Prague, Beijing and Berlin.

The creativity and the distinct willingness to innovate at Metro Cash & Carry are also reflected in many other initiatives. These include: the construction of a football field on the roof of the sixth wholesale store in Berlin, a facility that was opened in September 2006. Clubs and schools can use the field with artificial turf free of charge. The playing field underscores our role as a social partner in the area around the stores.

High goals for quality standards

Quality and freshness have a top priority at Metro Cash & Carry. By developing and introducing high international standards, the sales brand lives up to its responsibility to its customers. A high-performance control system covers all stations – from producers to the wholesale stores' shelves. Quality managers ensure that only excellent products go into shoppers' carts. Whether it is fish, meat or dairy products: modern technology maintains the cold chain on the way to the store and in the store itself.

REAL AND EXTRA: TWO SALES BRANDS POSITION THEMSELVES IN THE MARKET

Three performance characteristics define our sales brands Real and Extra: an extensive range of brand products and private labels, high levels of freshness and great value for money. In the public, they appear as autonomous retail brands. They are managed under the umbrella of Real SB-Warenhaus GmbH. The brand profile of Real is aimed clearly at young families with children and the 50plus generation. Extra is positioned as a low-price, service-oriented local provider. By acquiring the German hypermarkets of Wal-Mart in 2006, Real underscored its claim to market leadership. In regional terms, Extra with its 259 supermarkets is located exclusively in Northern and Western Germany as well as in Berlin. On the other hand, Real does business across Germany in 371 hypermarkets including the converted Wal-Mart stores. It is also expanding into Eastern Europe and Turkey.

Both Metro sales brands generate most of their sales in their home country of Germany, Europe's biggest market. The German market is difficult, mainly in food retailing: as a result of economic and social changes, the share of private consumer budgets that flows into retail is getting smaller and smaller. This applies in particular to everyday items like food. Added to this are intense competition and customers' close focus on price. Real and Extra are rising to the German market's challenges.

Real underscores claim to market leadership

With its extensive network of large hypermarkets, Real has the clear profile of a classic full-assortment retailer. On selling space that averages 7,000 square meters, the sales brand offers around 80,000 food and nonfood items. The focus of the range offered lies in foods. This comprises

REAL

	2006
Sales	€10.4 billion
EBIT	€45 million
Locations	701 in 5 countries
Total selling space	3.6 million m²
Headcount (annual average of full-time equivalents)	47,913

well-known brand products as well as strong private labels including 1,500 "TIP" products sold at discount prices. The nonfood program includes consumer electronics, books, audio media, household goods, shoes and textiles as well as ranges offered for sports, games and leisure-time activities.

Real emphasizes an attractive, well-structured presentation of goods. A guidance system improved in 2006 makes it easier for customers to find their way around the stores. It divides the stores more clearly, and meets the customer's desire for transparency and shopping atmosphere.

Real intends to sharpen its brand profile as a family-friendly company with a reasonable price-performance ratio. A new store layout and increased price attractiveness will contribute to the sharper profile. The price of many products has already been cut for the long term. The balanced mixture of self-service and service

More than their European neighbors, German consumers look closely at the price. At the same time, though, they place much emphasis on quality counters is designed to make Real stand out from discounters as well as competitors in the hypermarket segment. The sales brand puts particular emphasis on expert customer assistance. The sales brand is especially focused on providing expert customer service. As part of this effort, it has made significant further investments into personal specialist training for its employees in 2006. For purposes of customer retention, Real continues to use the successful Payback program.

Extra – the service-oriented local provider

The Extra sales brand satisfies its customers with good service and assistance. Both factors are designed to distinguish it from discount-oriented market formats. The assortment of Extra's supermarkets is very broad: on selling space between 1,000 and 3,000 square meters, the stores offer around 40,000 different articles. The focus of the range offered – like Real – is foods and, as a result, fresh products. Extra generates about 90 percent of its sales with foods. The nonfood area contains predominantly everyday items.

Acquiring Wal-Mart's stores in Germany strengthens the market presence in the home region of Germany and creates synergies

Real and Extra stress innovation and quality

Real and Extra are among the leaders in the use of innovative retail technology. At 53 locations, for instance, the stores use both traditional cash registers and Self Check-outs. These provide a special convenience to customers because they cut waiting time and facilitate fast payment. Every other store is already equipped with Smart Scales that recognize fruit and vegetables on their own and facilitate price labeling.

In all product areas, a premium is placed on quality and safety. The quality-assurance system of our sales brand ensures that high standards are maintained. Current and future suppliers must meet stringent testing criteria and are subjected to continuous and intensive monitoring. Quality and product safety are the core subjects of the regular and extensive training that employees receive.

Strategic expansion of market position moves forward

With an eye on the intense competition in Germany, Real and Extra are continuously optimizing their merchandizing concepts. One major focal point of this effort is critically reviewing the portfolio of locations and adjusting it to meet changed customer expectations or business developments. Extra, in particular, has made major achievements in this area in the last two years. In 2006, the brand concentrated on successful supermarkets: a new supermarket was opened, six locations were closed.

During the fiscal year, our sales brand Real seized the opportunity to acquire the Wal-Mart hypermarkets in Germany. In the process, it effectively continues to expand its domestic market presence. The newly acquired hypermarkets ideally complement Real's own store network, and create significant synergies, particularly in procurement, logistics and administration. The stores acquired from Wal-Mart were scheduled to be placed under the Real brand by the middle of 2007.

In Poland, an important market for the entire METRO Group, Real has been doing business since 1997. Our sales brand is among the biggest foreign retail companies there. In 2006, Real acquired the 19 Polish stores of the French hypermarket chain Géant, expanding its network of stores both in the countryside and in major cities.

By opening its first hypermarkets in Romania, Real entered another foreign growth market.

Eight stores were opened within only ten months. Overall, our sales brand is located in 5 countries now.

MEDIA MARKT AND SATURN: MARKET LEADER IN EUROPEAN CONSUMER ELECTRONICS RETAILING

Always on the technical cutting edge – that is the formula for success at our sales brands Media Markt and Saturn. With an unrivaled assortment, an excellent price-performance ratio and attention-grabbing advertising, they have rapidly extended their leading positions in European consumer electronics retailing: during the reporting year, the service-oriented sales brands generated more than half of their sales outside Germany for the very first time. At the end of 2006, they had 621 locations in 14 countries.

Media Markt and Saturn are the epitome of high performance in consumer electronics retailing across Europe – around 225 million customers experienced that for themselves during the past year. Working in tandem, both sales brands have been among the most dynamic growth drivers of the METRO Group for years. With a wide assortment of brand products, Media Markt and Saturn are considered to be specialists in all areas of consumer electronics. Customers can choose from a total of 45,000 articles from consumer electronics, household appliances, new media, telecommunications and photography. Several flagship stores even offer more than 100,000 different electrical products. The goal of the Media-Saturn group is to always offer the latest product innovations – particularly in areas that are constantly undergoing technical change.

The stores' service standards include expert, individual assistance, repairs, delivery and installation of large appliances as well as the professional disposal of old equipment. To further improve customer assistance concerning the environmental friendliness of electrical equipment, Media Markt and Saturn have been working closely with the Energy Efficiency Initiative of the German Energy Agency since 2006. As part of the cooperation, specialty sales personnel of large household appliances, among others, receive intense training about environmental protection.

A broad assortment and high service standards are the key to market success

Dynamic expansion inside and outside Germany

During the reporting year, our sales brands Media Markt and Saturn continued to energetically implement their growth strategy. Across Europe, they now operate more than 600 consumer electronics centers. Media Markt opened its first centers in Sweden and Russia, raising the number of European countries where it does business to 14. After entering the Dutch market, Saturn is represented in 8 countries. In the third quarter 2006, the business group generated more than half its sales outside Germany for the first time. The trends in Eastern Europe are particularly positive: in this growth region, both sales brands together boosted their sales by 36.6 percent.

MEDIA MARKT AND SATURN

	2006
Sales	€15.2 billion
EBIT	€587 million
Locations	621 in 14 countries
Total selling space	1.9 million m²
Headcount (annual average of full-time equivalents)	42,109

Sales growth in Eastern Europe was once again double-digit

In Germany, where Media Markt and Saturn have been writing a success story for years, the business group opened a total of 22 new stores. With more than 340 locations across the country, they offer their customers the most extensive network of stores in the consumer electronics sector.

Decentralized management structure creates competitive advantages

An important element of the company's organization is its decentralized management structure. It makes a major contribution to our sales division's long-term profitable growth. Thanks to the consumer electronics centers' extensive autonomy, the range offered can be quickly and flexibly adjusted to meet local customer wishes. The general managers of the consumer electronics centers make their own decisions about the composition of the product range, prices, marketing and personnel management. This leeway enables them to react immediately to regional competitors' price and assortment campaigns. As co-partners, they have a major impact on their centers' sales and profits. Flat hierarchies and high levels of individual responsibility for employees are actively encouraged. The entire group profits from the individual creativity and entrepreneurial talents of each store manager and employee. At the same time, the individual centers profit from the alliance's high performance.

Company structure fuels refinements designed to meet local market needs

Emotional ad campaigns are the talk of the town

With unconventional ad slogans like "Ich bin doch nicht blöd" (Actually, I'm not stupid) and "Geiz ist geil!" (Stinginess is cool!), Media Markt and Saturn have achieved a name-recognition level of nearly 100 percent in Germany. Both campaigns express the mood of the times, speaking to price-conscious, knowledgeable customers and expressing a modern, customer-focused business philosophy. In fiscal year 2006, both formats succeeded in efforts to further sharpen their public images and extend their position as unmistakable retail brands. Seasonal campaigns also generated a high level of attention. With the slogan "Saturn celebrates the 19," Saturn took aim at the upcoming increase in Germany's value-added tax and turned a negative issue among consumers into a positive message. At the end of 2006, Media Markt launched an advertising campaign with the slogan of "Saubillig und noch viel mehr" (Dirt cheap and much more). Using these ads and the ad figure of "Saubillig" spoken by talk-show host Harald Schmidt, our sales brand once again became the talk of the country.

Important job engine

Dynamic growth and fast expansion fuel the need for skilled and motivated specialty employees. In 2006, both sales brands hired more than 1,000 apprentices. In the reporting year, nearly 2,650 young people were receiving vocational training at Media Markt and Saturn. By creating nearly 1,000 jobs, the group of companies was once again among the employers who had the most newly hired employees in Germany. With their forward-looking personnel policies and the training of young workers, Media Markt and Saturn are preparing to face the expected drop-off in the working population resulting from demographic change. At the same time, they are helping ease the burden on the labor market and combating unemployment among young people.

GALERIA KAUFHOF: THE MODERN LIFESTYLE VENDOR

After undergoing a strategic makeover, Galeria Kaufhof has become a strong, unmistakable and successful lifestyle brand of inner-city retail. The heart of its business activities is the customer, with his or her wishes and ideas. Innovativeness forms the heart of the new

Galeria concept. In doing so, our sales brand has laid the foundation for an increase in its earnings strength in a challenging sector environment. With 127 department stores, Galeria Kaufhof is particularly active in Germany.

Innovatively designed outlets, an appealing shopping environment, high-quality products, optimized processes, and a long-range service and quality offensive – these are the cornerstones of Galeria Kaufhof's new strategy. Added to it are far-reaching organizational changes in purchasing, sales and marketing. The new assortment strategy has four elements:

- Extensively expanded offerings of internationally known brand articles in the areas of fashion, watches, jewelry, perfumes and foods,
- A satisfying assortment of private labels, the so-called exclusive brands,
- Excellent prices,
- A broad range of customer-focused services.

The strategy is being carried out by a dedicated workforce whose professional training is our top priority. The advertising presentation of the various product assortments communicates the new brand profile. An advertising strategy for exclusive brands complements the activities. The focus of marketing is the target group of people older than 35.

New flagship in the heart of Berlin

The new brand strategy has already been completely launched at several locations. For instance, Galeria Kaufhof reopened its Alexanderplatz outlet in Berlin in May 2006.

Under the slogan of "World Class Shopping," the highly modern department store is the epitome of the new Galeria generation. On six floors and 35,000 square meters selling space, it offers international assortments in an exceptional store design setting. The outlet has a lighthouse function. It serves as a trend-setting role model for other world-city stores in high-exposure locations. Thanks to its impressive architecture, the building represents the successful start for the reconstruction of Berlin's center. At the same time, Galeria Kaufhof is moving ahead with its long, Germany-wide commitment for attractive downtown areas.

GALERIA KAUFHOF

	2006
Sales	€3.6 billion
EBIT	€82 million
Locations	142 in 2 countries
Total selling space	1.5 million m²
Headcount (annual average of full-time equivalents)	19,043

A focus on customer expectations

Galeria Kaufhof is well prepared for expanded shopping hours, for example, thanks to a flexible employee schedule planning. To refocus assistance more on the customer, an internal competition launched in 2005 has been expanded. Its goal is promoting sales on weekends. Our sales brand also continued the campaign called "Einfach mehr Verkaufen" (Simply sell more). Improved processes are designed to ensure that sales personnel can intensively take care of customer needs. These programs also help motivate employees.

The outlet at Alexanderplatz serves as the prototype of the world-city department store

Multimedia information systems round out the department stores' service offerings. At self-service terminals customers can obtain a large amount of additional information about the assortment. To promote customer retention, Galeria Kaufhof continues to rely on the Payback program. This program now has 30 million members, including 8.5 million customers of our sales brand Galeria Kaufhof.

Ready to face the future thanks to continuous personnel training

Exclusive assortments require good, dedicated employees. Vocational and professional training play a critical role in the new strategic direction. Each year, the department stores provide training to around 1,800 trainees in seven job areas. For years, the training quota has been above 10 percent. To promote all employees' qualifications, Galeria Kaufhof has introduced a personnel-development service center. It develops concepts and programs – also for young executives.

Commitment to young people: training quota is once again above 10 percent

In more than 50 long-term learning partnerships with schools, our sales brand Galeria Kaufhof is actively helping young people make the transition to the work world. Practical instruction units offer a look into life on the job and the career opportunities in the retail industry.

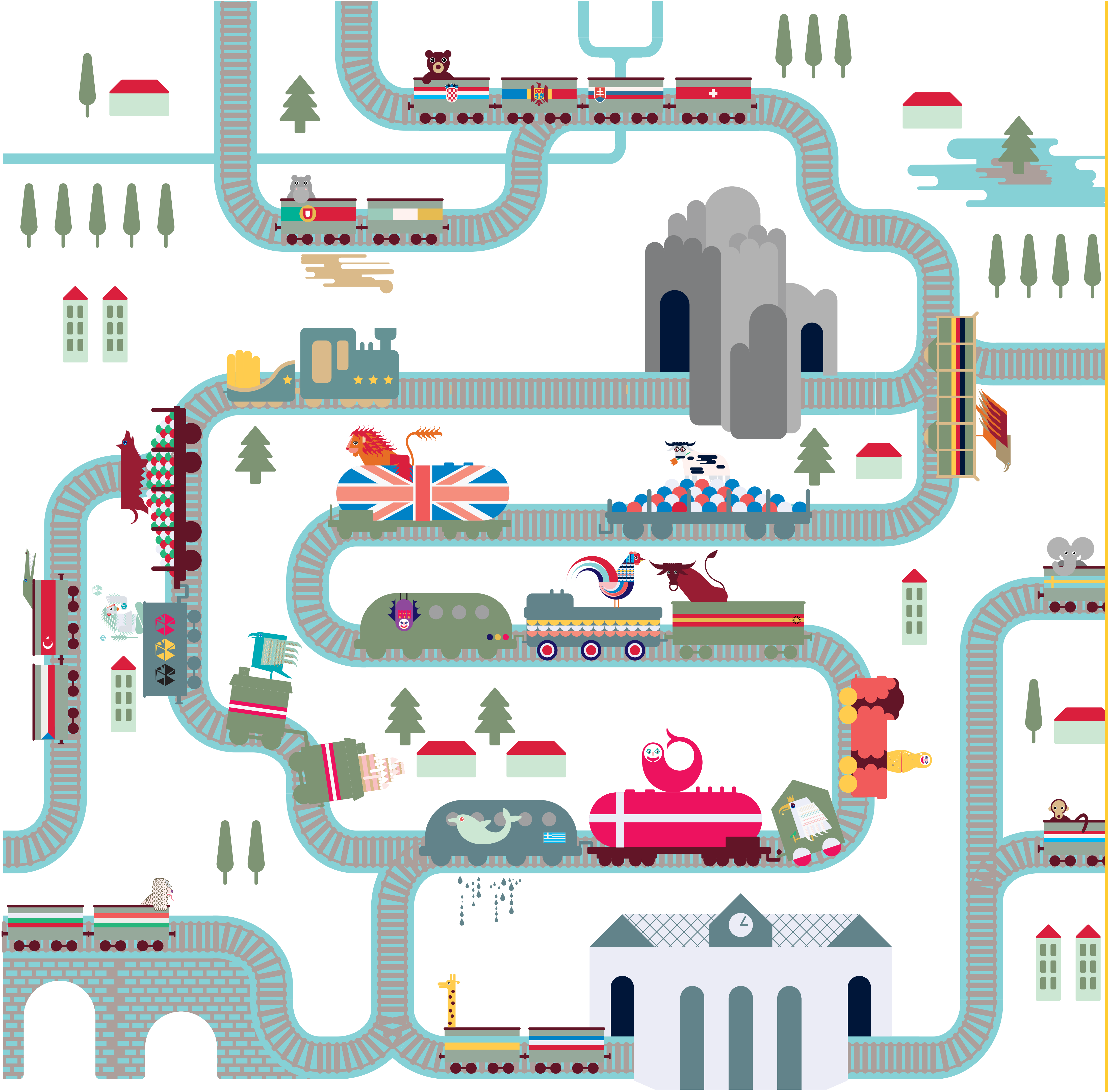
Optimized business processes using modern technology

In the competition among retail formats, efficiency is a critical factor today – in the process chain as well as in administration. Galeria Kaufhof consistently works to improve and simplify processes. Focal points are logistics and inventory management in warehouses and outlets. The sales division accelerates its workflows by using and refining modern procedures. As a result, intermediary storage of merchandise usually is no longer necessary. This cuts costs considerably. In terms of technology, Galeria Kaufhof concentrates on, among other things, wireless LAN and Radio Frequency Identification (RFID). In a pilot project, RFID has been used on the article level since 2006. New mobile data-collection equipment also helps make processes leaner.

04

CONSOLIDATED FINANCIAL STATEMENTS

SAFELY ON THE WAY TO SUCCESS: THE EUROPEAN CIRCUS TRAIN



Full speed ahead into the future: Europe's **power to innovate** is legendary. From the steam engine and railroad to the computer – so many pathbreaking ideas for economic and technical progress come from the old continent. And the more cars we add to the European train, the richer the wealth of solutions developed for the challenges of tomorrow.

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2006

€ million	Note no.	2006	2005
Net sales	1	59,882	55,722
Cost of sales		(47,390)	(44,086)
Gross profit on sales		12,492	11,636
Other operating income	2	1,895	1,149
Selling expenses	3	(11,098)	(9,885)
General administrative expenses	4	(1,252)	(1,094)
Other operating expenses	5	(54)	(68)
Earnings before interest and taxes (EBIT)		1,983	1,738
Result from associated companies	6	0	58
Other investment result	7	14	16
Interest income	8	158	143
Interest expenses	8	(624)	(614)
Other financial result	9	3	17
Net financial income		(449)	(380)
Earnings before taxes (EBT)		1,534	1,358
Income taxes	10	(484)	(740)[1]
Income from continuing operations		1,050	618
Income from discontinued operations after taxes		143	31
Net profit for the period		1,193	649
allocable to minorities	11	137	118
from continuing operations		[137]	[117]
from discontinued operations		[–]	[1]
allocable to stockholders of METRO AG		1,056	531
from continuing operations		[913]	[501]
from discontinued operations		[143]	[30]
Earnings per share in €	12	3.23	1.63
from continuing operations		[2.79]	[1.54]
from discontinued operations		[0.44]	[0.09]

[1] In 2005, special effect from write-downs on deferred tax assets from loss carry-forwards at Real Germany of €307 million

BALANCE SHEET AS PER DECEMBER 31, 2006

ASSETS

€ million	Note no.	As per Dec 31, 2006	As per Dec 31, 2005
Non-current assets		18,978	17,580
Goodwill	18	4,379	4,154
Other intangible assets	19	478	433
Tangible assets	20	12,087	11,037
Investment properties	21	136	228
Financial assets	22	139	136
Other receivables and assets	23	535	482
Deferred tax assets	24	1,224	1,110
Current assets		13,170	11,187
Inventories	25	6,640	6,246
Trade receivables	26	481	367
Financial assets		21	13
Other receivables and assets	23	2,852	2,200
Entitlements to income tax refunds		279	253
Cash and cash equivalents	27	2,732	1,767
Non-current assets held for sale	28	165	341
		32,148	28,767

EQUITY AND LIABILITIES

€ million	Note no.	As per Dec 31, 2006	As per Dec 31, 2005
Equity	29	6,047	5,313
Capital stock		835	835
Additional paid-in capital		2,544	2,551
Reserves retained from earnings		2,451	1,721
Minority interests		217	206
Non-current liabilities		8,869	8,408
Provisions for pensions and similar commitments	30	1,023	995
Other provisions	31	506	447
Financial liabilities	32, 34	6,279	6,046
Other liabilities	32, 35	599	433
Deferred tax liabilities	24	462	487
Current liabilities		17,232	15,046
Trade payables	32, 33	12,416	10,952
Provisions	31	719	288
Financial liabilities	32, 34	1,740	1,590
Other liabilities	32, 35	2,029	1,967
Income tax liabilities		304	249
Liabilities related to non-current assets held for sale	28	24	–
		32,148	28,767

STATEMENT OF CHANGES IN EQUITY[1]

€ million	Capital stock	Capital reserve	Reserves retained from earnings	Total	Minorities	Total equity
Jan 1, 2005	835	2,551	1,302	4,688	161	4,849
First-time consolidation of Adler	–	–	23	23	–	23
Net profit for the period	–	–	531	531	118	649
Profit distribution	–	–	(334)	(334)	(72)	(406)
Remeasurement IAS 39	–	–	26	26	–	26
Currency translation	–	–	169	169	1	170
Other	–	–	4	4	(2)	2
Dec 31, 2005/Jan 1, 2006	835	2,551	1,721	5,107	206	5,313
Net profit for the period	–	–	1,056	1,056	137	1,193
Profit distribution	–	–	(334)	(334)	(122)	(456)
Remeasurement IAS 39	–	–	2	2	–	2
Currency translation	–	–	6	6	3	9
Other	–	(7)	–	(7)	(7)	(14)
Dec 31, 2006	835	2,544	2,451	5,830	217	6,047

[1]Changes in equity are explained in the notes to the consolidated financial statements under no. 29

CASH FLOW STATEMENT[1]

€ million	2006	2005
EBIT	1,983	1,738
Depreciation and amortization on tangible and intangible assets	1,250	1,200
Change in provisions for pensions and other provisions	273	(19)
Change in net working capital	1,137	66
Income taxes paid	(543)	(499)
Elimination of negative difference Wal-Mart	(410)	–
Other	(427)	(452)
Cash flow from operating activities of continuing operations	3,263	2,034
Cash flow from operating activities of discontinued operations	–	150
Total cash flow from operating activities	3,263	2,184
First-time consolidation of Wal-Mart (previous year first-time consolidation of Adler)	108	19
Company acquisitions (Géant and Marktkauf Russia)	(205)	–
Investments in tangible assets (excl. finance leases)	(1,824)	(1,922)
Other investments	(268)	(253)
Company divestments	–	48
Divestment of Praktiker	484	670
Disposals of fixed assets	403	313
Cash flow from investing activities of continuing operations	(1,302)	(1,125)
Cash flow from investing activities of discontinued operations	–	(43)
Total cash flow from investing activities	(1,302)	(1,168)
Profit distribution		
to METRO AG stockholders	(334)	(334)
to other stockholders	(122)	(72)
Raising of financial liabilities	1,423	935
Redemption/repayment of financial liabilities	(1,571)	(1,415)
Interest paid	(610)	(637)
Interest received	169	137
Profit and loss transfers and other financing activities	50	(6)
Cash flow from financing activities of continuing operations	(995)	(1,392)
Cash flow from financing activities of discontinued operations	–	23
Total cash flow from financing activities	(995)	(1,369)
Total cash flows	966	(353)
Exchange rate effects on cash and cash equivalents	(1)	13
Overall change in cash and cash equivalents	965	(340)
Cash and cash equivalents on January 1	1,767	2,107
Cash and cash equivalents on December 31	2,732	1,767
less cash and cash equivalents from discontinued operations as per December 31	–	0
Cash and cash equivalents from continuing operations as per December 31	2,732	1,767

[1]The cash flow statement is explained in the notes under no. 36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT REPORTING[1]

PRIMARY SEGMENTS (DIVISIONS)

	Metro Cash & Carry		Real		Media Markt and Saturn	
€ million	2006	2005	2006	2005	2006	2005
External sales (net)	29,907	28,087	10,378	9,922	15,156	13,306
Internal sales (net)	47	137	1	1	9	–
Total sales (net)	29,954	28,224	10,379	9,923	15,165	13,306
EBITDA	1,510	1,377	234	132	776	679
Depreciation/amortization	399	364	189	144	189	169
EBIT	1,111	1,013	45	(12)	587	510
Investments	924	900	876	266	370	315
Segment assets	12,378	11,721	4,360	3,395	6,057	5,486
Segment liabilities	6,181	5,671	2,397	1,461	5,359	4,523
Employees at closing date (full-time equivalents)	102,100	96,118	60,850	43,533	45,666	40,255
Selling space (in 1,000 sqm)	4,507	4,218	3,601	2,693	1,914	1,704
Locations (number)	584	544	701	592	621	558

SECONDARY SEGMENTS (REGIONS)

	Germany		Western Europe without Germany		Eastern Europe	
€ million	2006	2005	2006	2005	2006	2005
External sales (net)	26,427	25,948	19,439	17,976	12,592	10,614
Internal sales (net)	13	14	2	1	–	–
Total sales (net)	26,440	25,962	19,441	17,977	12,592	10,614
EBITDA	1,370	1,236	1,033	1,045	847	674
Depreciation/amortization	702	701	300	284	211	185
EBIT	668	535	733	761	636	489
Investments	1,419	811	407	512	1,126	735
Segment assets	13,657	12,914	9,801	9,053	6,557	5,268
Segment liabilities	7,821	7,162	5,361	5,003	3,195	2,260
Employees at closing date (full-time equivalents)	109,987	102,646	51,099	48,801	69,029	52,057
Selling space (in 1,000 sqm)	6,885	6,093	2,624	2,533	2,032	1,571
Locations (number)	1,529	1,427	508	477	289	224

[1]The segment reporting is explained in the notes under no. 37
[2]Included in 2005: €15.2 million in expenses for the assumption of realization risks from former Real locations

	Galeria Kaufhof		Other companies/consolidation		Continuing operations METRO Group		Discontinued operations	
	2006	2005	2006	2005[2]	2006	2005	2006	2005
	3,609	3,575	832	832	59,882	55,722	–	2,789
	13	8	(70)	(146)	–	–	–	–
	3,622	3,583	762	686	59,882	55,722	–	2,789
	192	189	521	561	3,233	2,938	–	18
	110	120	363	403	1,250	1,200	–	47
	82	69	158	158	1,983	1,738	–	(29)
	151	96	699	561	3,020	2,138	–	83
	1,335	1,266	3,024	2,867	27,154	24,735	–	–
	1,025	1,013	1,588	1,794	16,550	14,462	–	–
	19,283	19,983	15,240	15,048	243,139	214,937	–	–
	1,487	1,465	415	438	11,924	10,518	–	–
	142	142	330	335	2,378	2,171	–	–

	Asia/Africa		Consolidation		Continuing operations METRO Group		Discontinued operations	
	2006	2005	2006	2005	2006	2005	2006	2005
	1,424	1,184	–	–	59,882	55,722	–	2,789
	715	860	(730)	(875)	–	–	–	–
	2,139	2,044	(730)	(875)	59,882	55,722	–	2,789
	(24)	(6)	7	(11)	3,233	2,938	–	18
	35	31	2	(1)	1,250	1,200	–	47
	(59)	(37)	5	(10)	1,983	1,738	–	(29)
	68	80	–	–	3,020	2,138	–	83
	743	728	(3,604)	(3,228)	27,154	24,735	–	–
	454	395	(281)	(358)	16,550	14,462	–	–
	13,024	11,433	–	–	243,139	214,937	–	–
	383	321	–	–	11,924	10,518	–	–
	52	43	–	–	2,378	2,171	–	–

NOTES TO THE GROUP ACCOUNTING PRINCIPLES AND METHODS

Accounting principles

METRO AG's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London. METRO AG's consolidated financial statements comply with all accounting standards and interpretations as of December 31, 2006 as adopted by the European Union.

The consolidated financial statements in their present form comply with the stipulations of § 315 a of the German Commercial Code (HGB). Together with Directive (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002 concerning the application of international accounting standards, they present the legal basis for group accounting by international standards in Germany and apply to fiscal years starting on or after January 1, 2005.

The present financial statements are based on the historical cost principle except for financial instruments recognized at their fair values and assets and liabilities that are recognized at their fair values as hedged items within a fair value hedge. Furthermore, non-current assets held for sale and disposal groups are shown in the balance sheet at their fair value less costs to sell as long as this value is lower than the carrying amount.

Certain items in the income statement and the balance sheet have been combined with a view to enhancing the transparency of presentation. These items are listed separately and are detailed in the notes. The income statement has been prepared using the cost of sales method. All amounts are millions of euros (€ million) unless otherwise indicated. Amounts below €0.5 million are rounded and reported as "0"; a "–" means negative report.

The following accounting procedures were used in the preparation of the financial statement.

Application of new accounting methods

Revised and new accounting regulations

For the first time, the current consolidated financial statements apply the accounting standards and interpretations amended and newly released by the IASB whose application was mandatory for the 2006 annual report of METRO AG:

IAS 19 (Employee Benefits)

The amended IAS 19 grants the option to recognize so-called actuarial gains and losses with no effect on income. In its consolidated financial statements, METRO AG adhered to the previous procedure, whereby actuarial gains and losses are amortized in income under the corridor method. Except for the increased disclosure requirement, the first-time application of revised IAS 19 thus had no effect on the consolidated financial statements of METRO AG.

IAS 39 (Financial Instruments: Recognition and Measurement)
The revisions of IAS 39 concern the option of recognizing financial instruments at fair value through profit or loss, the extension of the area of application to the balance sheet treatment of issued financial guarantees as well as the accounting treatment of cash flow hedges for the hedging of highly probable currency risks in forecast intra-group transactions. In its consolidated financial statements, METRO AG made no use of the option of recognizing financial instruments at fair value through profit or loss. The two other changes also had no effect on the consolidated financial statements of METRO AG.

IFRIC 4 (Determination whether an Arrangement Contains a Lease)
IFRIC 4 includes criteria on the identification of leasing components that may be included in agreements that are not formally designed as leasing contracts. Such leasing components are recognized in accordance to the regulations of IAS 17. The first-time application of IFRIC 4 had no effect on the consolidated financial statements of METRO AG.

IFRIC 6 (Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment)
The interpretation refers to the recognition of provisions for disposal obligations resulting from the Directive 2002/96/EC on waste electrical and electronic equipment (amended by Directive 2003/108/EC). The application of this interpretation in fiscal year 2006 did not have any material impact on the consolidated financial statements of METRO AG.

The IASB has newly introduced or amended a series of other accounting standards and interpretations that will be applicable earliest as of January 1, 2007, if they are adopted by the Council of the European Commission, and are applicable to METRO Group:

No.	Title	Application from
IAS 1	Presentation of Financial Statements – Added disclosures about an entity's capital	Jan 1, 2007
IFRS 7	Financial Instruments: Disclosures	Jan 1, 2007
IFRS 8	Operating Segments	Jan 1, 2009
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	Jan 1, 2007
IFRIC 8	Scope of IFRS 2	Jan 1, 2007
IFRIC 9	Reassessment of Embedded Derivatives	Jan 1, 2007
IFRIC 10	Interim Financial Reporting and Impairment	Jan 1, 2007
IFRIC 11	Group and Treasury Share Transactions	Jan 1, 2008
IFRIC 12	Service Concession Arrangements	Jan 1, 2008

At this point, the first-time application of the aforementioned accounting regulations is not expected to have any material impact on the group's asset, financial and earnings position.

Consolidated group and associated companies

Besides METRO AG, the consolidated financial statements comprise all subsidiaries in which METRO AG controls the financial and business policy through a majority of voting rights or according to the by-laws, company contract or contractual agreement. These include 698 domestic (previous year 671) and 466 (previous year 401) foreign subsidiaries controlled by METRO AG in accordance with IAS 27 (Consolidated and Separate Financial Statements) in combination with SIC-12 (Consolidation – Special-purpose Entities).

The group of consolidated companies changed as follows versus the previous year:

Status January 1, 2006	1,073
Changes in fiscal year 2006:	
Companies merged with other consolidated subsidiaries	(39)
Acquisition of stockholdings	17
Disposal of stockholdings	(22)
Other disposals	(7)
Companies newly founded	121
Other first-time consolidations	22
Status December 31, 2006	**1,165**

Additions from newly founded companies (121 companies) are due mainly to the expansion of the Metro Cash & Carry and Media Markt and Saturn sales divisions.

Acquisitions of stockholdings (13 companies) concern the acquisition of Wal-Mart's German activities. Other first-time consolidations concern 6 special-purpose entities from the acquisition of the Wal-Mart activities in Germany.

Effects from changes in the consolidation group are detailed under "Notes on business combinations" and, insofar as they are of particular significance, explained in detail in the respective accounts items.

One associated company (previous year 1) is valued according to the equity method. A total of 13 companies (previous year 14) were not valued at equity. Although the METRO Group holds between 20 percent and 50 percent of the voting rights, these investments were valued at cost because they did not qualify as associated companies or because the investments in question were immaterial.

Consolidation principles

The financial statements of German and foreign subsidiaries included in the consolidated accounts are prepared according to uniform accounting methods, as required by IAS 27.

Consolidated companies that, unlike METRO AG, do not close their fiscal year on December 31 prepared interim financial statements for consolidation purposes.

Capital consolidation is effected under the purchase method. For business combinations prior to January 1, 2004, pursuant to IAS 22 (Business Combinations), capital consolidation was effected by offsetting the carrying amounts of the investment against the revalued pro rata equity of the subsidiaries as of their acquisition date. Any positive differences remaining after the allocation of hidden reserves and charges were capitalized as goodwill and amortized to income on a straight-line basis in accordance with their useful lives. With the first-time application of IFRS 3 (Business Combinations), scheduled straight-line amortization of goodwill was discontinued beginning on January 1, 2004. From this date, goodwill is tested for impairment regularly once a year or more frequently if changes in circumstances indicate a possible impairment, and if applicable written down to the lower recoverable amount. For business acquisitions as of January 1, 2004, hidden reserves and charges attributable to minority interests must be disclosed and reported as minority interests in accordance with IFRS 3. Also in accordance with IFRS 3, any negative differences remaining after the allocation of hidden reserves and charges after another examination during the period in which the business combination took place, are amortized to income. Retroactive purchase price and fair value adjustments within 12 months after the first-time consolidation are recognized at equity with no effect on income.

Investments accounted for under the equity method are treated in accordance with the principles applying to full consolidation, with any goodwill being included in the recognition of the investment, and non-scheduled amortization of this goodwill being included in income from associated companies in the financial result. Any deviating accounting and measurement methods used in the financial statements' underlying equity valuation are retained as long as they do not substantially contradict the METRO Group's uniform accounting and measurement methods.

Any amounts written up or written down for shares in consolidated subsidiaries carried in the individual financial statements have been reversed in the consolidated accounts.

Intra-group profits and losses, revenues, expenses and income as well as receivables and payables or liabilities among consolidated subsidiaries are eliminated. Profits and losses resulting from intra-group transactions that are recorded as fixed assets or inventories are also eliminated unless they are of minor significance. Third-party debt is consolidated to the extent that the prerequisites for such consolidation are met. In accordance with IAS 12 (Income Taxes), deferred taxes are recognized for consolidated transactions affecting net income.

Currency translation

In the subsidiaries' separate financial statements, transactions in foreign currency are translated at the rate prevailing on the transaction date. Exchange losses incurred up to the closing date on the measurement of receivables and payables in foreign currency are reported. The resulting gains and losses are recognized in income.

The financial statements of foreign subsidiaries are translated into euros according to the functional currency concept of IAS 21 (The Effects of Changes in Foreign Exchange Rates). The functional currency is defined as the currency of the primary economic environment of the subsidiary. Since all consolidated companies operate as financially, economically and organizationally autonomous entities, their respective local currency is the functional currency. Assets and liabilities are therefore translated at the average exchange rate prevailing on the closing date, whereas income statement items are translated at the annual average exchange rate. Differences from the translation of the financial statements of non-German subsidiaries do not affect income and are shown as a separate item under reserves retained from earnings. Such currency differences are recorded as income in the year in which foreign subsidiaries are deconsolidated.

In fiscal year 2006, no functional currency of a consolidated company was classified as hyperinflationary in the meaning of IAS 29. In 2005, financial reporting in hyperinflationary economies in accordance with IAS 29 still affected group companies based in Turkey; it was ended on January 1, 2006.

The following exchange rates were applied in the translation of key currencies outside the European Monetary Union that are of major significance for the METRO Group:

	Average exchange rate in €		Period-end exchange rate in €	
	2006	2005	Dec 31, 2006	Dec 31, 2005
Bulgarian lev	1.95583	1.95583	1.95583	1.95583
Chinese renminbi	10.00962	10.19896	10.27930	9.51806
Croatian kuna	7.32238	7.39937	7.34508	7.37563
Czech koruna	28.33614	29.78005	27.48500	29.08500
Danish krone	7.45929	7.45219	7.45600	7.46085
Hong Kong dollar	9.76158	9.68207	10.26250	9.17960
Hungarian forint	264.19671	248.05260	251.77000	252.47000
Indian rupee	56.78867	54.79039	58.20750	53.26750
Japanese yen	146.11121	136.89510	156.93000	139.12000
Moldovan leu	16.52637	15.65331	17.08700	15.18290
Moroccan dirham	11.04083	11.02202	11.14480	10.94635
Pakistani rupee	75.77332	71.12220	80.15880	70.69240
Polish zloty	3.89517	4.02327	3.83100	3.84570
Pound sterling	0.68174	0.68401	0.67150	0.68720
New Romanian leu	3.52351[1]	3.62292	3.38350[1]	3.68450
Russian ruble	34.12286	35.21306	34.69650	34.18500
Serbian dinar	84.17432	82.93610	79.00000	85.50000
Singapore dollar	1.99512	2.07081	2.02395	1.96855
Slovak koruna	37.20851	38.60147	34.43500	37.84000
Swedish krone	9.25257	–	9.04040	–
Swiss franc	1.57332	1.54843	1.60690	1.55530
New Turkish lira	1.80716	1.67685	1.86400	1.59580
Ukrainian hryvnia	6.34049	6.38699	6.65236	5.97163
US dollar	1.25595	1.24495	1.31700	1.18350
Vietnamese dong	20,096.69000	19,732.62000	21,185.09000	18,839.79000

[1] First-time inclusion in the consolidated financial statements as per December 31, 2006

Income statement

Recognition of income and expenses

In principle, **net sales** and **other operating income** are reported upon rendering of the service or delivery of the goods or merchandise and hence upon transfer of the risk to the customer.

Operating expenses are recognized as expenses upon availment or causation.

As a rule, **dividends** are recognized when the legal claim to payment arises.

Interest is recognized as a prorated income or expenses, where applicable by using the effective interest method.

Balance sheet

Intangible assets

In accordance with IFRS 3, **goodwill** from capital consolidation will be capitalized and tested for impairment regularly once a year – or more frequently if changes in circumstances indicate a possible impairment – and, if applicable, written down to the lower recoverable amount. No write-up is performed if the reasons for a non-scheduled write-down in previous years have ceased to exist.

Goodwill was tested for impairment on the level of the cash-generating unit (CGU). A CGU is defined as the smallest identifiable group of assets that generates cash flows largely independently from other assets or other groups of assets. For the METRO Group, these conditions are met for the organization unit sales division per country.

Purchased other intangible assets are recognized at cost of purchase. **Internally generated intangible assets** are capitalized at cost of conversion if the capitalization criteria of IAS 38 (Intangible Assets) are met. The cost of conversion comprises all expenditure directly attributed or indirectly allocated to the conversion process.

Direct costs	Direct material costs Direct production expenses Special direct production expenses
Overhead (directly allocable)	Material overhead Production overhead Depreciation of fixed assets Development-related administrative costs

Financing and research expenses are not capitalized. Capitalized internally generated software – in line with purchased software – is amortized on a straight-line basis over a period of three to five years because of its **determined useful life,** with licenses being amortized over the term of the respective agreement. Non-scheduled amortization of the above-mentioned intangible assets is effected at the closing date if the recoverable amount is below the amortized cost. The assets are written back if the reasons for non-scheduled amortization implemented in previous years have ceased to exist.

Tangible assets

Tangible assets used in operations for a period of more than one year are recognized at cost less scheduled depreciation. The cost of internally generated assets includes both direct costs and appropriate portions of allocable overheads. Financing costs are not capitalized as a cost element. **Investment allowances** received and non-earmarked investment grants are offset against the cost of the corresponding asset. **Reinstatement obligations** are included in the cost at the discounted settlement amount.The capitalized reinstatement costs are proportionately depreciated over the useful life of the asset.

Tangible assets are depreciated solely on a straight-line basis. Throughout the group, scheduled depreciation is based on the following useful lives:

Buildings	10 to 33 years
Leasehold improvements	8 to 15 years or shorter rental contract duration
Business and office equipment	3 to 13 years
Machinery	3 to 8 years

In accordance with IAS 17 (Leases) and in combination with IFRIC 4, economic ownership of **leased assets** is attributable to the lessee if all the material risks and rewards incidental to ownership of the asset are transferred to the lessee (finance lease). If economic ownership is allocable to METRO Group companies, the leased asset is capitalized at fair value or at the lower present value of the lease payments when the lease is signed. In analogy to the comparable purchased tangible assets, leased assets are subjected to scheduled depreciation over their useful lives or the lease term, if shorter. Future lease payments are carried as liabilities.

If there are any indications of impairment and if the recoverable amount is below the amortized cost, the assets are subjected to non-scheduled depreciation. They are written back if the reasons for non-scheduled depreciation have ceased to exist.

Investment properties

In accordance with IAS 40 (Investment Property), **investment properties** comprise properties that are held to earn rentals and/or for capital appreciation. In analogy to tangible assets, they are recognized at cost less scheduled and potentially required non-scheduled depreciation based on the historical cost model. Scheduled depreciation of investment properties is effected over a useful life of 15 to 33 years. The fair value of these properties is stated in the notes. It is determined either on the basis of recognized measurement methods or independent expert opinions.

Financial assets

Financial assets that do not represent **associated companies** under IAS 28 (Investments in Associates) are recognized in accordance with IAS 39. Depending on the classification required under IAS 39, **financial assets** are capitalized either at (amortized) cost or fair value, and recognized on the date of purchase.

Shares in associated companies, investments and long-term securities are assets to be classified as "available-for-sale financial assets." They are measured at their fair values including transaction costs for the first recognition period. If the fair value of these financial assets can be reliably determined in subsequent periods, they are recognized at their fair values. If there are no active markets and if the fair values cannot be determined without undue effort, they are recognized at cost. **Loans** are classified as "loans and receivables," and therefore recognized at amortized cost based on the effective interest method. Financial assets designated as hedged items as part of a fair value hedge are recognized in income at their fair value.

Fluctuations in the value of "available-for-sale financial assets" are recognized in equity with no effect on income – taking account of deferred taxes where applicable. The amounts recognized with no effect on income are not transferred to net income for the respective period until they are disposed of or a retrospective impairment of the assets has occurred.

If there are any indications of impairment, the assets are written down accordingly by way of a non-scheduled depreciation.

Deferred taxes

Deferred taxes are determined in accordance with IAS 12, according to which future tax benefits and liabilities are recognized for temporary differences between the carrying amounts of assets or liabilities in the consolidated financial statements and their tax base. Anticipated tax savings from the use of tax loss carry-forwards expected to be recoverable in future periods are capitalized.

Deferred tax assets in respect of deductible temporary differences and tax loss carry-forwards exceeding the deferred tax liabilities in respect of taxable temporary differences are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and deferred tax liabilities are netted if these income tax assets and liabilities concern the same tax authority and refer to the same tax subject or a group of different tax subjects that are jointly assessed for income tax purposes.

Inventories

Merchandise carried as **inventories** is reported at cost of purchase. As a rule, the cost of purchase is determined by means of the weighted average cost formula. Merchandise is valued as per the closing date at the lower of cost or net realizable value.

Merchandise is written down on a case-by-case basis if the anticipated net realizable value declines below the carrying amount of the inventories. Such net realizable value corresponds to the anticipated estimated selling price less the estimated direct costs necessary to make the sale.

When the reasons for a write-down of the merchandise have ceased to exist, the write-down is reversed.

Trade receivables

In accordance with IAS 39, **trade receivables** are classified as "loans and receivables," and recognized at amortized cost. Where their recoverability appears doubtful, the trade receivables are recognized at the lower recoverable amount. Aside from the required specific bad-debt allowances, a lump-sum bad debt allowance is carried to account for the general credit risk.

Other receivables and assets

The financial assets in the **other receivables and assets** item that are classified as "loans and receivables" under IAS 39 are recognized at amortized cost.

The **deferred income** item comprises transitory deferrals.

Other assets include investments and derivative financial assets to be classified as "held for trading" in accordance with IAS 39. They are recognized at their fair value, which corresponds to the cost of purchase without transaction costs, for the first recognition period. Where the fair values of these financial instruments can be reliably determined, such fair values are carried. Where no active markets exist and the fair values cannot be determined without undue effort, the assets are carried at cost. All other receivables and assets are recognized at cost.

If there are any indications of impairment, the assets are written down by way of a non-scheduled depreciation.

Cash and cash equivalents

Cash and cash equivalents comprise checks, cash on hand as well as bank deposits and are recognized at their respective nominal values.

Provisions

The actuarial measurement of **pension provisions** for company pension plans is effected in accordance with the projected unit credit method stipulated by IAS 19 (Employee Benefits). This method takes account of pensions and pension entitlements known at the closing date as well as of future pay and pension increases. Any differences arising at year-end (so-called actuarial gains or losses) between pension commitments determined in this way and the actual net present value are recognized only if they fall outside of a range of 10 percent of the commitment. In that case, they are spread over the average residual service life of the employees with pension entitlements as of the subsequent year and recognized as income or expenses. The interest element of the transfer to the provision contained in the expenditure for pensions is shown as interest paid under the financial result. **Other provisions for pensions and similar commitments** are formed on the basis of actuarial valuations under IAS 19.

(Other) provisions are formed if de jure or de facto obligations to third parties that are based on past business transactions or events will probably result in an outflow of financial funds that can be reliably determined. They are stated at the anticipated settlement amount with due regard to all identifiable risks attached, and are not offset against any claims to recourse. The settlement amount with the highest possible likelihood of occurrence is used.

Provisions for deficient rental cover in the case of location risks related to leased objects are based on a consideration of individual locations. The same applies to continued locations insofar as a deficient cover for the respective location arises from current corporate planning. The provision maximally amounts to the size of the deficient cover resulting from a possible subleasing.

Provisions for restructuring measures related to the closure of locations are recognized in so far as the factual restructuring commitment was formalized by means of the adoption of a detailed restructuring plan and its communication vis-a-vis those affected as per the closing date. Restructuring provisions comprise only obligatory restructuring expenses that are not related to the company’s current activities.

Long-term provisions, e.g. for deficient rental cover or reinstatement obligations, are recognized at their settlement amounts discounted to the balance sheet date.

Liabilities

Trade liabilities are recognized at amortized cost.

In principle, all **financial liabilities** are recognized at amortized cost using the effective interest method in accordance with IAS 39. Financial liabilities designated as the hedged item in a fair value hedge are carried as liabilities at their fair value. The fair values indicated for the financial liabilities have been determined on the basis of the interest rates prevailing on the closing date for the remaining terms and redemption structures.

In principle, financial liabilities from finance leases are carried as liabilities at the present value of future lease payments.

Other liabilities are carried at their settlement amounts unless they represent derivative financial instruments or commitments to stock tender rights, which are recognized at their fair value under IAS 39. Deferred income comprises transitory deferrals.

Contingent liabilities

Contingent liabilities are potential or existing obligations arising from past events for which, however, an outflow of resources is not considered probable. According to IAS 37, such liabilities should not be recognized in the balance sheet but disclosed in the notes.

Accounting for derivative financial instruments/hedge accounting

Derivative financial instruments are exclusively used to reduce risks, in accordance with the respective group guideline.

In accordance with IAS 39, all derivative financial instruments are recognized at their fair values and shown under "other receivables and assets" or "other liabilities."

Derivative financial instruments are measured on the basis of inter-bank terms and conditions, possibly including the credit margin or stock exchange price applicable to the METRO Group. The bid and ask prices at the balance sheet date are applied. Where no stock exchange prices are used, the fair value is determined by means of acknowledged valuation models. The recognized fair values correspond to the amounts for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length agreement.

Gains and losses from derivative financial instruments designated as qualified hedges in the framework of a fair value hedge or for which a qualified hedge relationship could not be established in accordance with the provisions of IAS 39 and which, accordingly, did not qualify for **hedge accounting** are recognized in income. Results from derivative financial instruments for which a cash flow hedge has been formed and whose effectiveness has been established are carried in equity with no effect on income up to the date of realization of the hedge transaction. Any potential changes in results due to the ineffectiveness of these financial instruments are recognized in the income statement with an immediate effect on income.

Accounting for stock-based remuneration

The stock options (SOP), stock appreciation rights (SAR) and stock bonuses granted under the stock-based remuneration program are classified as "cash-settled share-based payment transactions." Proportionate provisions measured at the fair value of the obligations entered are formed for these payments.The proportionate formation of the provisions is prorated over the underlying blocking period and recognized in income as personnel expenses.To the extent that the granted share-based payments are hedged, the corresponding hedging transactions are recognized at their fair values and included under other assets. The portion of the hedges' value fluctuation that corresponds to the value fluctuation of the share-based payments is recognized in personnel expenses. The surplus amount of value fluctuations is recognized in equity with no effect on income.

Accounting for non-current assets held for sale and discontinued operations

A non-current asset is classified as "held for sale" if the respective carrying amount is to be realized above all through a sale rather than through continued utilization. The asset is measured at the lower of carrying amount and fair value less costs to sell and presented separately in the balance sheet.

A component of an entity is classified as a **discontinued operation** if it is held for sale or has already been disposed of. The discontinued operation is measured at the lower of carrying amount and fair value less costs to sell. Discontinued operations must be presented separately in the income statement, the balance sheet, the cash flow statement and the segment report, and explained in the notes. With the exception of the balance sheet, prior year amounts are restated accordingly.

Use of assumptions and estimates

The preparation of the consolidated financial statements was based on a number of **assumptions** and **estimates** that had an effect on the value and presentation of the reported assets, liabilities, income and expenses as well as contingent liabilities. These assumptions and estimates mainly relate to the assessment of the recoverability of goodwill, the group-wide establishment of useful lives, the measurement of provisions, e.g. for restructuring, pensions or location risks, and feasibility of future tax savings, in particular from loss carry-forwards. In addition, assumptions and estimates concern the determination of fair values and the cost of purchase in the context of first-time consolidations. The actual values may deviate from the assumptions and estimates in individual cases. Changes are taken into account at the time new information becomes available.

NOTES ON BUSINESS COMBINATIONS

a) Wal-Mart Germany group

The Wal-Mart Germany group has been part of the METRO Group's Real segment since November 1, 2006. The preliminary negative cost of purchase of this business combination amounts to €187 million. This includes other costs of purchase of €3 million.

The business combination was recognized in accordance with IFRS 3. The consolidation of the 19 Wal-Mart Germany companies into the group accounts was carried out in accordance with IAS 27 in combination with SIC-12. Two subsidiaries with some minority interests were acquired indirectly as part of the takeover of these companies. In addition, other stockholders have holdings in six companies that are consolidated in accordance with SIC-12. The company's business activities mainly comprise the operation of hypermarkets. Since the fair value of the identified assets, liabilities, contingent liabilities and costs of purchase could not be finally determined by the closing date, the first-time consolidation in the group accounts as per November 1, 2006 must be considered preliminary in accordance with IFRS 3.62.

The preliminary negative cost of purchase recognized for these companies was netted against the following assets and liabilities at the date of purchase:

€ million	Carrying amount before acquisition	Adjustments	Fair value
Other intangible assets	0	11	11
Tangible assets	691	(61)	630
Deferred tax assets	90	4	94
Inventories	173	–	173
Receivables and other assets	83	–	83
Cash and cash equivalents	95	–	95
Provisions	(210)	–	(210)
Financial liabilities	(309)	(35)	(344)
Trade liabilities	(148)	–	(148)
Other liabilities	(56)	(24)	(80)
Deferred tax liabilities	(90)	(4)	(94)
Total acquired assets and liabilities			210
Profit allocable to minorities			13
Negative difference			(410)
Negative purchase price			(187)
Received cash and cash equivalents			(95)
Remaining receivable from negative purchase price			174
Cash inflow			**(108)**

Since the share of the total identified assets, liabilities and contingent liabilities to be recognized at fair value (€223 million) exceeds the cost of purchase of the business combination, a negative difference of €410 million resulted. Following a renewed examination of the fair values of assets, liabilities and contingent liabilities, the negative difference was recognized fully in other operating income pursuant to IFRS 3.56 (b). The recognition in income is allocable to the Real segment. The negative difference is netted against necessary large-scale restructuring measures following the first-time consolidation.

b) Géant business

Effective from November 1, 2006, the Polish Real company acquired the Géant business in Poland as part of an asset deal. The preliminary purchase price, which has already been paid, amounted to €184 million, including other cost of purchase of €0.4 million.

The consolidation of the business with a total 19 stores and one warehouse into the group accounts was conducted in accordance with IFRS 3. The acquired business is mostly active in the operation of hypermarkets. Since the fair value of the identified assets, liabilities, contingent liabilities and cost of purchase could not be finally determined by the closing date, the first-time inclusion in the accounts as per November 1, 2006 must be regarded as preliminary in line with IFRS 3.62.

As per the closure of the transaction, the purchase price of €184 million was netted against the following assets and liabilities:

€ million	Book value before acquisition	Adjustments	Fair value
Goodwill	–	184	184
Other intangible assets	1	3	4
Tangible assets	124	(39)	85
Deferred taxes	–	17	17
Inventories	48	–	48
Receivables and other assets	4	–	4
Provisions	(8)	–	(8)
Financial liabilities	(79)	–	(79)
Trade payables	(4)	–	(4)
Other liabilities	(1)	(66)	(67)
Total of acquired assets and liabilities = cash outflow[1]			**184**

[1]Purchase price

The shown goodwill reflects largely future synergies in procurement and logistics. In accordance to the effects of these synergies on the future result of the METRO Group sales divisions, goodwill of €44 million was attributed to the Metro Cash & Carry segment in Poland and goodwill of €140 million to the Real segment in Poland.

c) Marktkauf Russia

With effect from November 30, 2006, Real International Holding GmbH acquired 100 percent of the shares in a hypermarket operated by Marktkauf in Moscow, Russia. The preliminary purchase price, which has already been paid, amounted to €35 million.

The first-time consolidation of the acquired company in the METRO Group accounts was conducted in line with IFRS 3 in combination with IAS 27. Since the fair value of the acquired assets, liabilities, contingent liabilities and cost of purchase could not finally be determined by the closing date, the first-time inclusion in the accounts as per November 30, 2006 must be regarded as preliminary in line with IFRS 3.62.

As per the closure of the transaction, the purchase price of €35 million was netted against the following assets and liabilities:

€ million	Book value before acquisition	Adjustments	Fair value
Goodwill	–	22	22
Other intangible assets	1	(1)	–
Tangible assets	3	1	4
Deferred taxes	–	1	1
Inventories	10	(4)	6
Trade receivables	5	–	5
Receivables and other assets	1	–	1
Cash & cash equivalents	14	–	14
Financial liabilities	(10)	–	(10)
Trade payables	(7)	–	(7)
Other liabilities	(1)	–	(1)
Total acquired assets and liabilities[1]			35
Cash inflow			(14)
Cash outflow			21

[1]Purchase price

The shown goodwill represents strategic and location-related benefits.

The Wal-Mart Germany group, the Géant business in Poland and Marktkauf Russia contributed €–35 million, €+2 million and €0 million respectively to the METRO Group's operating income in 2006.

Assuming that the business combinations described under a) to c) had been completed by January 1, 2006, group sales would have been €2,146 million higher. Operative group earnings would have been burdened with an amount of about €–200 million, which, however, due to the compensatory effect of the negative difference to a), would have had only a marginal impact on the METRO Group's net profit for the period. These pro forma indications serve only the purpose of comparison. They do not necessarily represent the results that would have been realized if the business combinations had indeed been completed by January 1, 2006, and also cannot serve as an indicator of future results.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Net sales

Breakdown of net sales:

€ million	2006	2005
Metro Cash & Carry	29,907	28,087
Real	10,378	9,922
Media Markt and Saturn	15,156	13,306
Galeria Kaufhof	3,609	3,575
Other companies [1]	832	832
	59,882	55,722

[1] The sales listed under other companies were mainly generated by Adler Modemärkte at €539 million (previous year €572 million) and the Dinea group at €202 million (previous year €192 million)

A total of €33.5 billion of net sales (previous year €29.8 billion) was generated by group companies based outside of Germany.

For a breakdown of sales by divisions and regions, see the segment report.

2. Other operating income

€ million	2006	2005
Rents	496	408
Earnings from the first-time consolidation of the Wal-Mart Germany group	410	–
Services/cost refunds	309	206
Services rendered to suppliers	137	70
Commissions	100	91
Income from sale-and-lease-back transactions	85	64
Central A/P clearing for sales divisions	60	63
Gains from the disposal of fixed assets and from write-ups	47	22
Income from damages and indemnities	21	18
Income from construction services	5	13
Other	225	194
	1,895	1,149

Aside from earnings from the first-time consolidation of the Wal-Mart Germany group (€410 million), rental income from Praktiker (€54 million) and services rendered to Praktiker, which had been consolidated until November 30, 2005 (€99 million), accounted for the increase in other operating income of €746 million.

Other operating income includes a number of individual items.

3. Selling expenses

€ million	2006	2005
Personnel expenses	5,325	4,958
Cost of materials	5,773	4,927
	11,098	9,885

The increase in selling expenses mainly results from the expansion of the Metro Cash & Carry and Media Markt and Saturn sales divisions.

In addition, repositioning expenses related to the acquisition of the Wal-Mart Germany group had a significant impact on selling expenses in the Real segment.

The cost of materials primarily includes sales-related expenses for rent, depreciation, advertising and building costs (energy, maintenance, etc.).

4. General administrative expenses

€ million	2006	2005
Personnel expenses	653	545
Cost of materials	599	549
	1,252	1,094

The increase in personnel expenses is due both to the expansive sales divisions Metro Cash & Carry and Media Markt and Saturn as well as one-time expenses relating to the acquisition of the Wal-Mart Germany group.

The cost of materials increased, in particular, due to €19 million in write-downs and €10 million in restructuring costs.

5. Other operating expenses

€ million	2006	2005
Losses from the disposal of fixed assets	18	27
Write-downs on receivables and other assets	–	19
Expenses for construction services	0	9
Other	36	13
	54	68

In fiscal 2006, expenses from write-downs on receivables are no longer included in other operating expenses, but are reclassified under selling expenses.

The transfer of freight compensation to Praktiker, which had been consolidated in the previous year, until November 30, 2005, was responsible for €17 million of the increase in other operating expenses of €23 million.

6. Result from associated companies

The result from associated companies amounts to €0 million. The previous year's result of €58 million was largely attributable to earnings from the disposal of a stockholding in Loyalty Partner GmbH.

7. Other investment income

Dividends account for the main portion of other investment income of €14 million (previous year €16 million).

Financial instruments that, in accordance with IAS 39, are "available for sale," had no effect on other investment income (previous year €2 million).

8. Interest income/interest expenses

Net interest income can be broken down as follows:

€ million	2006	2005
Interest income	158	143
from finance leases	[0]	[1]
from pension provisions	[49]	[30]
Interest expenses	(624)	(614)
from finance leases	[(121)]	[(135)]
from pension provisions	[(120)]	[(94)]
	(466)	(471)

9. Other financial result

€ million	2006	2005
Other financial income	173	212
thereof currency effects	[104]	[114]
thereof hedging transactions	[67]	[23]
thereof indexation	[–]	[70]
Other financial expenses	(170)	(195)
thereof currency effects	[(114)]	[(78)]
thereof hedging transactions	[(47)]	[(29)]
thereof indexation	[–]	[(61)]
	3	17

The result from currency effects amounts to €–10 million (previous year €+36 million) and stems mostly from Russia and Turkey. It is offset by the according opposite valuation results from hedging transactions of €+20 million (previous year €–6 million). Due to the termination of hyperinflationary accounting in Turkey, no indexation result (previous year €+9 million) applied.

Financial instruments that, in accordance with IAS 39, are “available for sale,” had no effect on other financial income (previous year €–2 million).

10. Income taxes

Corporate income taxes include income taxes paid or due in the individual countries as well as deferred taxes. The German companies of the METRO Group are subject to an average tax rate of 17.35 percent of trade income. This amount can be deducted when calculating corporate income tax. Corporate income tax amounts to 25 percent, plus a 5.50 percent solidarity surcharge on corporate income tax. The aggregate tax rate is 39.15 percent.

Deferred taxes are determined on the basis of the tax rates expected in each country upon realization. In principle, the rates applied are those contained in currently valid laws or legislation that has been passed at the time of the closing date.

Non-German income tax is calculated on the basis of the respective laws and regulations applying in the individual countries. The income tax rates applied to foreign companies vary in a range from 0.00 percent (tax holidays) to 40.69 percent.

€ million	2006	2005
Taxes paid or due	585	457
thereof in Germany	[196]	[129]
thereof abroad	[389]	[328]
Deferred taxes	(101)	283
Income tax expenses	**484**	**740**

The increase in domestic taxes paid or due is mostly attributable to the Media Markt and Saturn sales division. The increase abroad was due mostly to positive developments in Eastern Europe.

Included in paid or due taxes is €7 million of tax income (previous year €31 million) that is attributable to earlier periods.

Deferred taxes from the creation and release of temporary differences that are recognized in income total €79 million (previous year €99 million).

The deferred taxes include €8 million in tax expenses from new tax rates (previous year €24 million in tax income).

The first-time consolidation of the foreign acquisitions resulted in an increase in deferred taxes of €18 million with no effect on income. Other recognition of deferred taxes without an effect on income in total had no effect on equity (previous year €12 million increase in equity).

At €484 million (previous year €740 million), income tax expenses are €117 million lower (previous year €208 million higher) than expected tax expenses of €601 million (previous year €532 million) that would have resulted if the German corporate income tax rate had been applied to the group's taxable income for the year.

The past year's income taxes of €740 million include a special effect from €307 million in write-downs on deferred tax assets on loss carry-forwards at Real Germany.

Reconciliation of estimated to actual income tax expenses:

€ million	2006	2005
Group earnings before taxes	1,534	1,358
Expected income tax expenses (39.15%)	601	532
Effects of differing national tax rates	(164)	(197)
Negative difference Wal-Mart Germany group	(160)	–
Non-capitalized deferred tax assets on current tax losses in Germany (in particular Wal-Mart Germany group)	122	307[1]
Tax expenses and income relating to other periods	6	(34)
Non-deductible business expenses	88	71
Other deviations	(9)	61
Income tax expenses	484	740

[1] In 2005 special effect from €307 million in write-downs on deferred tax assets on loss carry-forwards at Real Germany

The item "other deviations" includes €3 million in tax effects from the use of non-capitalized deferred tax assets on tax losses within the METRO AG tax group.

11. Income attributable to minority interests

Of income attributable to minority interests, profit shares accounted for €160 million (previous year €134 million) and loss shares for €23 million (previous year €16 million). This mainly concerns profit/loss shares of minority interests in the Metro Cash & Carry and Media Markt and Saturn sales divisions.

12. Earnings per share

METRO AG defines earnings per share as earnings per common share. In the past, preferred stockholders of METRO AG were entitled to a dividend of €1.122 that was €0.102 higher than that paid to common stockholders. In the calculation of earnings per share, this additional dividend is deducted from profits attributable to METRO AG stockholders.

Earnings per share are determined by dividing earnings attributable to METRO AG stockholders by a weighted number of issued shares.

There was no dilution in fiscal year 2006 or the year before from so-called potential shares.

	2006	2005
Weighted number of no-par-value shares outstanding	326,787,529	326,787,529
Group net income after minority interests attributable to METRO AG stockholders (€ million)	1,056	531
Earnings per share (€)	3.23	1.63

Earnings per preferred share amount to €3.34 (previous year €1.73) in fiscal year 2006 and thus exceed earnings per share by the amount of the additional dividend of €0.112 (previous year €0.102).

Earnings per share from continuing operations total €2.79 (previous year €1.54).

13. Depreciation/amortization

€ million	2006	2005
Scheduled depreciation on tangible and intangle assets and investment properties	1,174	1,143
Non-scheduled write-downs on tangible and intangible assets and investment properties	76	57
Write-downs on non-current financial assets	1	12
	1,251	1,212

Real estate accounts for €70 million of non-scheduled write-downs (previous year €53 million), including €12 million for investment properties (previous year €11 million). Within non-current financial assets, loans were written down by €1 million (previous year €4 million). No write-downs on investments were carried out (previous year €8 million).

Non-scheduled write-downs of €62 million were included in selling expenses (previous year €56 million), €14 million in administrative expenses (previous year €1 million) and €1 million in other financial result (previous year €12 million).

Real accounts for €51 million (previous year €4 million) of non-scheduled write-downs, Galeria Kaufhof for €1 million (previous year €5 million) and other companies for €25 million (previous year €60 million).

14. Cost of materials

The cost of sales includes the following cost of materials:

€ million	2006	2005
Cost of raw materials, supplies and goods purchased	47,232	43,905
Cost of services purchased	48	46
	47,280	43,951

15. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2006	2005
Wages and salaries	5,316	4,892
Social security payments, expenses for pensions and related employee benefits	1,138	1,084
thereof pension expenses	[44]	[45]
	6,454	5,976

Personnel expenses include prorated expenses for share-based payments totaling €24 million (previous year €20 million).

Annual average of group employees:

Number of employees	2006	2005
Blue collar/white collar	263,794	246,875
Apprentices/trainees	10,465	10,040
	274,259	256,915

The above figure includes an absolute number of 103,037 (previous year 104,078) part-time employees. The percentage of employees working outside Germany (full-time equivalents) rose to 53.7 percent from 50.4 percent the year before.

16. Other taxes

Other taxes of €123 million (previous year €91 million) are included in the cost of sales and the selling and administrative expenses.

NOTES TO THE BALANCE SHEET

17. Tangible and intangible assets

€ million	Goodwill	Other intangible assets	Tangible assets	Investment properties	Financial assets	Total fixed assets
Acquisition or production costs						
At Jan 1, 2005	4,132	769	16,985	421	159	22,466
Currency translation	–	5	281	–	3	289
Additions to consolidation group	312	3	232	1	–	548
Additions	41	143	1,845	4	91	2,124
Disposals	(331)	(64)	(1,542)	(10)	(117)	(2,064)
Transfers	–	12	(45)	(5)	15	(23)
At Dec 31, 2005/Jan 1, 2006	4,154	868	17,756	411	151	23,340
Currency translation	2	(1)	2	–	0	3
Additions to consolidation group	206	15	730	0	11	962
Additions	17	167	1,849	1	27	2,061
Disposals	0	(36)	(885)	(187)	(40)	(1,148)
Transfers	0	(13)	(57)	71	3	4
At Dec 31, 2006	4,379	1,000	19,395	296	152	25,222
Depreciation/amortization						
At Jan 1, 2005	–	375	6,425	165	16	6,981
Currency translation	–	3	74	–	–	77
Additions, scheduled	–	106	1,077	7	–	1,190
Additions, non-scheduled	–	2	44	11	12	69
Disposals	–	(52)	(868)	–	(12)	(932)
Write-ups	–	(1)	(1)	–	(1)	(3)
Transfers	–	2	(32)	–	–	(30)
At Dec 31, 2005/Jan 1, 2006	–	435	6,719	183	15	7,352
Currency translation	–	0	4	–	1	5
Additions, scheduled	–	114	1,054	6	0	1,174
Additions, non-scheduled	–	3	61	12	1	77
Disposals	–	(27)	(509)	(70)	(2)	(608)
Write-ups	–	0	(3)	–	(1)	(4)
Transfers	–	(3)	(18)	29	(1)	7
At Dec 31, 2006	–	522	7,308	160	13	8,003
Book value at Jan 1, 2005	4,132	394	10,560	256	143	15,485
Book value at Dec 31, 2005	4,154	433	11,037	228	136	15,988
Book value at Dec 31, 2006	**4,379**	**478**	**12,087**	**136**	**139**	**17,219**

The additions to consolidation group include above all additions from the first-time consolidation of the Wal-Mart Germany group of €651 million.

18. Goodwill

Of goodwill in the amount of €4,379 million (previous year €4,154 million) as per December 31, 2006,

€4,052 million (previous year €4,013 million) concern differences resulting from the capital consolidation, and €327 million (previous year €141 million) concern goodwill taken from individual financial statements.

Goodwill in fiscal year 2006 resulted mostly from the acquisition of the Géant business in Poland, at €184 million, and a stockholding in a hypermarket operated in Russia, at €22 million. As a result of the recognition of the stock tender rights, the resulting goodwill of Media Markt and Saturn rose by €12 million in 2006 (previous year increase by €16 million).

As of the closing date, the breakdown of goodwill among the major cash generating units was as shown below:

€ million	Dec 31, 2006	Dec 31, 2005
Real Germany	1,083	1,083
Metro Cash & Carry France	398	398
Metro Cash & Carry Netherlands	351	351
Metro Cash & Carry Poland	258	213
Metro Cash & Carry Hungary	239	239
Metro Cash & Carry Germany	223	223
Adler Modemärkte Germany	218	218
Media Markt and Saturn Germany	211	202
Metro Cash & Carry Italy	171	171
Metro Cash & Carry Belgium	145	145
Real Poland	142	–
Extra Germany	110	110
Metro Cash & Carry Portugal	91	91
Adler Modemärkte Austria	78	78
Media Markt and Saturn Italy	76	75
Kaufhof Warenhäuser Belgium	57	57
Metro Cash & Carry Spain	51	51
Media Markt and Saturn Spain	51	49
Metro Cash & Carry Greece	45	45
Metro Cash & Carry UK	37	37
Metro Cash & Carry Austria	27	27
Media Markt and Saturn Netherlands	22	22
Real Russia	22	–
Metro Cash & Carry China	17	17
Media Markt and Saturn Poland	17	16
Media Markt and Saturn Austria	17	16
Media Markt and Saturn Switzerland	17	16
Metro Cash & Carry Denmark	16	16
Adler Modemärkte Luxembourg	16	16
Other companies	173	172
Total	4,379	4,154

In accordance with IFRS 3 in combination with IAS 36, goodwill is tested for impairment once a year. The book value of the cash generating unit is compared with the recoverable amount. The determination of the recoverable amount is based on the higher of value in use or fair value less cost to sell, which is determined as the cash value of future cash flows. Expected future cash flows are based on a competent planning process under consideration of the company's experience as well as on macroeconomic data collected by sources outside of the company. The detailed planning period comprises 3 to 4 years. As in the previous year, the growth rates considered at the end of the detailed planning period are usually 1.0 percent. The capitalization rate as the weighted average cost of capital was determined using the capital asset pricing model. The individually determined capitalization rates amount to between 6.1 percent and 7.5 percent. Overall, the impairment test confirmed the recoverability of the capitalized goodwill. As in the previous year, there was therefore no need for extraordinary amortizations.

19. Other intangible assets

€ million	Concessions franchises, trademarks and similar rights, licenses and other such rights	(thereof internally generated intangible assets)	Prepayments	Total
Purchase or production costs				
At Jan 1, 2005	769	[230]	–	769
Currency translation	5	[1]	–	5
Change in consolidation group	3	[0]	–	3
Additions	142	[101]	1	143
Disposals	(64)	[(9)]	–	(64)
Transfers	12	[(3)]	–	12
At Dec 31, 2005/Jan 1, 2006	867	[320]	1	868
Currency translation	(1)	[(1)]	0	(1)
Change in consolidation group	15	[–]	–	15
Additions	167	[112]	0	167
Disposals	(36)	[(2)]	0	(36)
Transfers	(12)	[6]	(1)	(13)
At Dec 31, 2006	1,000	[435]	–	1,000
Depreciation/amortization				
At Jan 1, 2005	375	[94]	–	375
Currency translations	3	[–]	–	3
Additions, scheduled	106	[42]	–	106
Additions, non-scheduled	2	[1]	–	2
Disposals	(52)	[(3)]	–	(52)
Write-ups	(1)	[–]	–	(1)
Transfers	2	[–]	–	2
At Dec 31, 2005/Jan 1, 2006	435	[134]	–	435
Currency translations	0	[0]	–	0
Additions, scheduled	114	[53]	–	114
Additions, non-scheduled	3	[1]	–	3
Disposals	(27)	[0]	–	(27)
Write-ups	0	[–]	–	0
Transfers	(3)	[4]	–	(3)
At Dec 31, 2006	522	[192]	–	522
Book value on Jan 1, 2005	394	[136]	–	394
Book value on Dec 31, 2005	432	[186]	1	433
Book value on Dec 31, 2006	**478**	**[243]**	**–**	**478**

The other intangible assets have a finite useful life and are therefore amortized as scheduled. The non-scheduled write-downs of €3 million (previous year €2 million) concern lease rights and licenses.

The additions to amortizations on intangible assets are shown in cost of sales at an amount of €3 million, in selling expenses at an amount of €67 million (previous year €68 million) and in administrative expenses at an amount of €47 million (previous year €39 million).

As in the previous year, there are no material limitations to the title of or right to dispose of intangible assets. Purchasing obligations amounting to €5 million (previous year €3 million) for intangible assets were made.

20. Tangible assets

€ million	Land and buildings	Plant and machinery	Other plant, business and office equipment	Assets under construction[1]	Total
Acquisition or production costs					
At Jan 1, 2005	11,674	12	4,980	319	16,985
Currency translation	199	–	69	13	281
Change in consolidation group	199	–	32	1	232
Additions	541	1	568	735	1,845
Disposals	(889)	–	(631)	(22)	(1,542)
Transfers	568	–	85	(698)	(45)
At Dec 31, 2005/Jan 1, 2006	12,292	13	5,103	348	17,756
Currency translation	11	0	(9)	0	2
Change in consolidation group	657	–	71	2	730
Additions	515	0	602	732	1,849
Disposals	(468)	0	(408)	(9)	(885)
Transfers	522	–	168	(747)	(57)
At Dec 31, 2006	13,529	13	5,527	326	19,395
Depreciation/amortization					
At Jan 1, 2005	3,113	8	3,299	5	6,425
Currency translation	33	–	41	–	74
Additions, scheduled	519	1	557	–	1,077
Additions, non-scheduled	42	–	2	–	44
Disposals	(344)	–	(524)	–	(868)
Write-ups	(1)	–	–	–	(1)
Transfers	(24)	–	(9)	1	(32)
At Dec 31, 2005/Jan 1, 2006	3,338	9	3,366	6	6,719
Currency translation	5	0	(1)	–	4
Additions, scheduled	513	1	540	–	1,054
Additions, non-scheduled	58	–	2	1	61
Disposals	(156)	0	(353)	–	(509)
Write-ups	(3)	–	0	–	(3)
Transfers	(24)	–	8	(2)	(18)
At Dec 31, 2006	3,731	10	3,562	5	7,308
Book value on Jan 1, 2005	8,561	4	1,681	314	10,560
Book value on Dec 31, 2005	8,954	4	1,737	342	11,037
Book value on Dec 31, 2006	**9,798**	**3**	**1,965**	**321**	**12,087**

[1]Prepayments of €47 million included as per Dec 31, 2005

Additions to the changes in consolidation group primarily concern the Wal-Mart Germany group with €630 million and the Géant business in Poland with €85 million.

Additions to tangible assets resulted mainly from the opening of new Metro Cash & Carry stores in Eastern Europe as well as new Media Markt and Saturn store openings in Germany.

Disposals from tangible assets were affected by the sale of real estate in the amount of €174 million and the reclassification of nine properties with a book value of €56 million in "Non-current assets held for sale."

Non-scheduled write-downs of €58 million (previous year €42 million) shown for fiscal year 2006 are related to the market valuation of land and buildings.

Limitations to the disposal of assets in the form of liens and encumbrances amounted to €760 million (previous year €508 million). The property lien entered into the land register amounts to €698 million (previous year €437 million).

Purchasing obligations for tangible assets in the amount of €202 million (previous year €230 million) were made.

Assets used by the group under the terms of finance lease agreements were valued at €1,514 million (previous year €1,357 million). The assets involved are mainly leased buildings. Of the increase compared to the previous year, €238 million is related to the above-mentioned first-time consolidation of the Wal-Mart Germany group and the acquisition of the Géant business in Poland.

Finance leases generally have initial terms of 15 to 25 years with options upon expiration to extend them at least once for five years. The interest rates in the leases vary by market and date of signing between 2.4 and 17.6 percent.

In addition to finance leases, the METRO Group has also signed other types of leases classified as operating leases based on their economic value. Operating leases generally have an initial term of up to 15 years. The interest rates in the leases are based partly on variable and partly on fixed rents. Options to extend the lease lie – insofar as they are available – either with the lessor or the lessee.

Payments due under finance and operating leases in the indicated periods are shown below:

€ million	up to 1 year	1 to 5 years	over 5 years
Finance leases			
Future lease payments due (nominal)	211	877	2,221
Discounts	(12)	(161)	(993)
Present value	199	716	1,228
Operating leases			
Future lease payments due (nominal)	1,242	4,230	4,804

Payments due on finance leases contain payments amounting to €168 million (previous year €172 million) for options to purchase assets at favorable prices.

The nominal value of future lease payments to the METRO Group coming from the subleasing of assets held under finance leases amounts to €441 million (previous year €424 million).

The nominal value of future lease payments to the METRO Group resulting from the subleasing of assets held under operating leases amounts to €1,331 million (previous year €1,432 million).

The group net profit for the period contains payments made under leasing agreements amounting to €1,283 million (previous year €1,107 million) and payments received under subleasing agreements amounting to €432 million (previous year €357 million).

Lease payments due in the indicated periods from entities outside the METRO Group (METRO Group as lessor) are shown below:

€ million	up to 1 year	1 to 5 years	over 5 years
Finance leases			
Future lease payments due (nominal)	1	3	2
Discounts	0	(1)	(1)
Present value	1	2	1
Operating leases			
Future lease payments due (nominal)	28	96	146

From the perspective of the lessor, the non-guaranteed residual value must be added to the nominal minimum lease payments of €6 million (previous year €7 million) in existing finance leases. The non-guaranteed residual value amounts to €0 million for the fiscal year (previous year €0 million). The resulting gross investment amount is thus €6 million (previous year €7 million). In addition, there is an unrealized amount from finance leases of €1 million (previous year €2 million).

21. Investment properties

Real estate held as investment properties is recognized at amortized cost. As of December 31, 2006, this amounted to €136 million (previous year €228 million).The fair value of these properties is determined by means of a proprietary evaluation using recognized measurement methods. It totals €190 million (previous year €274 million). Rental income from the properties amounts to €14 million (previous year €18 million). The related expenses amount to €18 million (previous year €20 million). The decline in investment properties is due largely to the reclassification of 30 real estate objects in the item "Non-current assets held for sale" (€105 million).

22. Financial assets

€ million	Shares in group companies	Loans	Investments	Long-term securities	Total
Acquisition costs					
At Jan 1, 2005	6	109	39	5	159
Currency translation	–	1	2	–	3
Additions	20	56	15	–	91
Disposals	(23)	(70)	(23)	(1)	(117)
Transfers	1	15	–	(1)	15
At Dec 31, 2005/Jan 1, 2006	4	111	33	3	151
Currency translation	–	0	0	0	0
Change in consolidation group	–	11	0	0	11
Additions	–	27	0	0	27
Disposals	(4)	(29)	(6)	(1)	(40)
Transfers	–	3	0	–	3
At Dec 31, 2006	0	123	27	2	152
Depreciation/amortization					
At Jan 1, 2005	1	5	10	–	16
Currency translation	–	–	–	–	–
Additions, scheduled	–	–	–	–	–
Additions, non-scheduled	–	4	8	–	12
Disposals	–	(1)	(11)	–	(12)
Write-ups	–	–	(1)	–	(1)
Transfers	–	–	–	–	–
At Dec 31, 2005/Jan 1, 2006	1	8	6	–	15
Currency translation	–	2	(1)	–	1
Additions, scheduled	–	–	0	0	0
Additions, non-scheduled	–	1	–	–	1
Disposals	–	–	(2)	–	(2)
Write-ups	–	–	(1)	–	(1)
Transfers	(1)	–	–	–	(1)
At Dec 31, 2006	0	11	2	0	13
Book value on Jan 1, 2005	5	104	29	5	143
Book value on Dec 31, 2005	3	103	27	3	136
Book value on Dec 31, 2006	**0**	**112**	**25**	**2**	**139**

The carrying amounts of investments of €25 million include an investment of €2 million in an associated company as of December 31, 2006.

23. Other receivables and assets

€ million	Dec 31, 2006 Total	Dec 31, 2006 Remaining term up to 1 year	Dec 31, 2006 Remaining term over 1 year	Dec 31, 2005 Total	Dec 31, 2005 Remaining term up to 1 year	Dec 31, 2005 Remaining term over 1 year
Due from suppliers	1,583	1,583	0	1,394	1,394	0
Other tax receivables	322	322	–	239	239	–
Prepaid expenses and deferred charges	321	77	244	249	57	192
Other assets	1,161	870	291	800	510	290
	3,387	2,852	535	2,682	2,200	482

The book values of the financial assets shown in these positions are essentially their market values.

The item of prepaid expenses and deferred charges includes prorated rental, leasing and interest prepayments as well as other deferments. The increase compared with the previous year results primarily from advance lease payments that fell due with the conclusion of leasing agreements in Russia.

The increase in other assets includes purchase price receivables from the addition of the Wal-Mart Germany group in the amount of €174 million.

24. Deferred taxes

Deferred tax assets on loss carry-forwards and temporary differences amount to €1,224 million, an increase of €114 million compared with the previous year. This increase is essentially due to temporary differences resulting from intra-group business.

Deferred taxes resulting from temporary differences and unutilized tax losses totaling €1,983 million (previous year €794 million) were not capitalized. They mainly concern tax losses and tax losses carried forward that probably cannot be used in the short term. The increase in non-capitalized deferred tax assets is largely due to the acquisition of the Wal-Mart Germany group.

Of the uncapitalized deferred taxes, €1,838 million applies to domestic companies and €145 million to foreign companies, where the realization of the deferred tax assets cannot be viewed as certain at this time.

Deferred taxes recognized concern the following balance sheet items:

€ million	Dec 31, 2006 Asset	Dec 31, 2006 Liability	Dec 31, 2005 Asset	Dec 31, 2005 Liability
Goodwill	435	125	396	105
Other intangible assets	286	85	235	72
Tangible assets and investment properties	120	972	129	1,002
Financial assets	8	2	5	1
Inventories	56	35	42	10
Other receivables and assets	58	100	8	55
Provisions for pensions and similar commitments	136	8	122	6
Other provisions	136	37	99	19
Financial liabilities	747	2	724	0
Other liabilities	94	20	68	20
Outside basis differences	–	16	36	17
Loss carry-forwards	88	–	66	–
Total	2,164	1,402	1,930	1,307
Offset	(940)	(940)	(820)	(820)
Book value of deferred taxes	**1,224**	**462**	**1,110**	**487**

Deferred tax assets of €4 million were transferred to item "Non-current assets held for sale." In addition, deferred tax liabilities of €24 million are shown in item "Liabilities in connection with non-current assets held for sale." The transferred deferred taxes concern the balance sheet items "Tangible assets" and "Investment properties."

In accordance with IAS 12, deferred taxes relating to differences between the carrying amount of a subsidiary's pro rata assets and liabilities in the balance sheet and the investment book value for this subsidiary in the parent company's tax statement must be created (so-called outside basis differences) if the tax benefit is likely to be realized in the future. No outside basis differences requiring disclosure – beyond the deferred charges and prepaid accounts carried as liabilities in the balance sheet – arose in fiscal year 2006 (previous year outside basis differences that were not carried as liabilities €–209 million). This decrease is due to intra-group restructuring.

25. Inventories

€ million	Dec 31, 2006	Dec 31, 2005
Food merchandise	1,895	1,844
Nonfood merchandise	4,745	4,402
	6,640	**6,246**

Inventories can be broken down by sales division as follows:

€ million	Dec 31, 2006	Dec 31, 2005
Metro Cash & Carry	2,296	2,329
Real	1,058	865
Media Markt and Saturn	2,404	2,131
Galeria Kaufhof	567	626
Other companies	315	295
	6,640	6,246

Business expansion – in particular of international activities – led to an increase in inventories at the Media Markt and Saturn sales division. Despite the expansion at Metro Cash & Carry, inventories could be reduced with the help of rigorous inventory management. Stock optimization measures also resulted in lower inventories at the Galeria Kaufhof sales division.

Inventories in the Real sales division essentially reflect the first-time consolidation of the Wal-Mart Germany group as well as the acquisition of the Géant business in Poland as of November 1, 2006 (€193 million).

During the reporting year, write-downs of €335 million were carried out (previous year €328 million).

26. Trade receivables

Trade receivables amounted to €481 million (previous year €367 million). Of that total, €0.4 million (previous year €0.3 million) is due in over one year.

This increase is due mostly to the higher share of payments with debit memo procedure as well as the extended shopping hours compared to the previous year on the last shopping day in Germany.

In addition, the acquisitions in the Real segment raised trade receivables by €29 million.

The carrying amounts of trade receivables represent an appropriate approximation to their fair value.

27. Cash and cash equivalents

€ million	Dec 31, 2006	Dec 31, 2005
Checks and cash on hand	178	111
Bank balances	2,554	1,656
	2,732	1,767

The stated carrying amounts of cash and cash equivalents included in these items essentially correspond to their fair values.

The addition of the Wal-Mart Germany group and the acquisition of the Géant business in Poland result in an increase of €59 million.

28. Non-current assets held for sale

In the annual accounts for 2005 the remaining stockholding of 40.52 percent in Praktiker Bau- und Heimwerkermärkte Holding AG was valued at €14.50 per share, that is a total €341 million under consideration of the cost of disposal, and shown separately in the balance sheet as "non-current assets held for sale." This remaining share was sold on April 11, 2006. METRO AG accrued €484 million from this sale.

Due to the favorable market situation, the sale of 39 domestic properties was initiated in the course of the continued optimization of the real estate portfolio in fiscal year 2006. These essentially comprise developed properties that are treated as a disposal group pursuant to IFRS 5.

The transferred assets and directly related liabilities are shown in the balance sheet items "Non-current assets held for sale" and "Liabilities in connection with non-current assets held for sale." The liabilities exclusively concern deferred taxes. Concrete offers from interested potential buyers have already been made for all of these objects.

In the segment report, the thus recognized values are shown in the item "Segment assets" and "Other companies/consolidation."

Non-scheduled write-downs of the disposal groups to their fair value less the cost of disposal were not required.

29. Equity

In terms of amount and composition, i.e. the ratio of common to preferred stock, subscribed capital has not changed versus December 31, 2005 and totals €835,419,052.27. It is divided as follows:

No-par-value bearer shares, accounting par value approx. €2.56		Dec 31, 2006	Dec 31, 2005
Common stock	Shares	324,109,563	324,109,563
	€	828,572,941	828,572,941
Preferred stock	Shares	2,677,966	2,677,966
	€	6,846,111	6,846,111
Total capital stock	Shares	326,787,529	326,787,529
	€	835,419,052	835,419,052

Each share of common stock of METRO AG grants an equal voting right that allows the stockholder to participate in resolutions at the annual general meeting. In addition, common stock of METRO AG entitles the holder to dividends. In contrast to common stock, preferred stock does not carry any voting rights and is equipped with a preferential right to profits in line with § 21 of the Articles of Association of METRO AG, which state:

"(1) Holders of non-voting preferred stock will receive from the annual net earnings a preferred dividend of €0.17 per share of preferred stock.

(2) Should the net earnings available for distribution not suffice in any one fiscal year to pay the preferred dividend, the arrears (excluding any interest) shall be paid from the net earnings of future fiscal years in an order based on age, i.e. in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a fiscal year are not distributed until all of any accumulated arrears have been paid.

(3) After the preferred dividend has been distributed, the common stockholders will receive a dividend of €0.17 per share of common stock. Thereafter, a non-cumulative extra dividend of €0.06 per share will be paid to the holders of non-voting preferred stock. The extra dividend shall amount to 10 percent of such dividend as, in accordance with section 4 herein below, will be paid to the holders of common stock inasmuch as such dividend equals or exceeds €1.02 per share of common stock.

(4) The holders of non-voting preferred stock and of common stock will equally share in any additional profit distribution at the ratio of their shares in the capital stock."

Contingent capital I and II

On June 4, 2004, a contingent increase in capital stock of €127,825,000 was resolved (contingent capital I).This contingent capital increase is related to the authorization given to the Management Board to issue by June 3, 2009, and with the consent of the Supervisory Board option bonds and/or convertible bonds for a total par value of €1,000,000,000 and to grant the bond holders option or conversion rights for up to 50,000,000 new shares of common stock in the company, to establish the corresponding option or conversion duties or provide for the right of the company to repay the bond either in whole or in part with common stock in the company rather than in cash. To date, no option bonds and/or convertible bonds have been issued under the aforementioned authorization of the Management Board.

On July 6, 1999, the annual general meeting resolved to carry out a contingent capital increase of up to €14,316,173 by issuing up to 5,600,000 shares of common stock to be used for Metro's stock option plan (contingent capital II).

Under METRO AG's stock option plan, stock options were granted on September 3, 1999, August 19, 2000, July 23, 2001, July 19, 2002, and June 23, 2003. A total of 30,930 of these options was still outstanding as of December 31, 2006. In line with the exercise terms, it was until now determined that eligible participants would be granted cash compensation in lieu of new common stock upon exercise of existing options. The exercise of subscription rights from the stock option plan therefore did not result in an increase in capital stock.

Authorized capital I

On May 23, 2002, the annual general meeting resolved to authorize the Management Board to increase the capital stock, with the prior approval of the Supervisory Board, by issuing new common bearer shares in exchange for cash contributions in one or several tranches for a total maximum of €40,000,000 (authorized capital I) by May 23, 2007.

A subscription right is to be granted to existing stockholders. However, the Management Board has been authorized to restrict this subscription right, with the prior approval of the Supervisory Board, to the extent required to grant the holders of option bonds and convertible bonds issued by METRO AG and its wholly owned direct or indirect subsidiaries a right to purchase the number of new shares to which they would be entitled upon exercise of their option/conversion rights and to further exclude the subscription right to compensate for fractions of shares from rounding.

In addition, the Management Board has been authorized to restrict the stockholders' subscription rights, with the prior approval of the Supervisory Board, for one or several capital increases under the authorized capital, provided that the total par value of such capital increases does not exceed 10 percent of the capital stock registered in the commercial register at the time the authorized capital is first utilized, and further provided that the issue price of the new shares is not substantially below the market price of listed shares of the same category at the time the initial offering price of the new issue is finally fixed. The Management Board is authorized to determine all further details of the capital increases with the prior approval of the Supervisory Board. To date, authorized capital I has not been used.

Authorized capital II

On May 23, 2002, the annual general meeting resolved to authorize the Management Board, with the prior approval of the Supervisory Board, to increase the company's capital stock by issuing new common bearer shares in exchange for non-cash contributions in one or several tranches for a maximum total of €60,000,000 by May 23, 2007 (authorized capital II). The Management Board is authorized, with the prior approval of the Supervisory Board, to decide on the restriction of the subscription rights and to determine all further details of the capital increases. To date, authorized capital II has not been used.

Authorized capital III

On June 4, 2004, the annual general meeting authorized the Management Board, with the prior approval of the Supervisory Board, to increase the company's capital stock by issuing new common bearer shares in exchange for cash contributions in one or several tranches for a maximum total of €100,000,000 by June 3, 2009 (authorized capital III). Existing stockholders shall be granted a subscription right.

However, the Management Board has been authorized to restrict the subscription right, with the prior approval of the Supervisory Board, to the extent required to grant the holders of option bonds and convertible bonds issued by METRO AG and all direct or indirect subsidiaries in which METRO AG holds at least 90 percent of the capital stock a right to purchase the number of new shares they would be entitled to upon exercise of their option/conversion rights and to further rule out subscription rights to compensate for fractions of shares from rounding.

In addition, the Management Board has been authorized to restrict the stockholders' subscription rights, with the prior approval of the Supervisory Board, for one or several capital increases under the authorized capital, provided that the total par value of such capital increases does not exceed 10 percent of the capital stock registered in the commercial register at the time the authorized capital is first utilized, and further provided that the issue price of the new shares is not substantially below the market price of listed shares of the same category at the time the initial offering price of the new issue is finally fixed. The maximum limit of 10 percent of the capital stock decreases in proportion to the amount of capital stock that is comprised of the company's treasury stock issued as part of the authorized capital III under exclusion of the subscription right of the stockholders pursuant to § 71 Section 1 Subsection 8 Sentence 5, § 186 Section 3 Sentence 4 AktG (German Stock Corporation Act). The maximum limit also falls in proportion to the amount of capital stock that is comprised of those shares issued to service option bonds and/or convertible bonds with option or conversion rights or with conversion duties if the bonds were issued during the duration of authorized capital III under the exclusion of the subscription right in the corresponding application of § 186 Section 3 Sentence 4 AktG. To date, authorized capital III has not been used.

Authorized capital IV

The annual general meeting held on June 4, 2004, further authorized the Management Board, with the prior approval of the Supervisory Board, to increase the company's capital stock by issuing new common bearer shares in exchange for non-cash contributions in one or several tranches for a maximum total of €125,000,000 by June 3, 2009 (authorized capital IV). The Management Board has been authorized, with the prior approval of the Supervisory Board, to decide on the restriction of the subscription right. To date, authorized capital IV has not been used.

Stock buyback

Pursuant to § 71 Section 1 Subsection 8 AktG (German Stock Corporation Act), the annual general meeting held on May 18, 2006, authorized the company to acquire treasury stock up to the equivalent of 10 percent of the capital stock on or before November 18, 2007.

To date, neither the company nor any company controlled or majority-owned by METRO AG or any other company acting on behalf of METRO AG or any company controlled or majority-owned by METRO AG has exercised this authorization (cf. § 160 Section 1 Subsection 2 AktG).

Additional paid-in capital

Additional paid-in capital amounts to €2,544 million (previous year €2,551 million).

Since, in accordance to IAS 32, the present value of the preferred dividends granted pursuant to § 21 (1) of METRO AG's Articles of Association must be classified as a liability toward the owners of preferred shares, the additional paid-in capital declined by €7 million. The necessary reclassification is considered in the statement of changes in equity.

Reserves retained from earnings

€ million	Dec 31, 2006	Dec 31, 2005
Valuation reserve pursuant to IAS 39 (incl. deferred taxes)	50	48
Reserve for currency translation	132	126
Other reserves	2,269	1,547
	2,451	1,721

Reserves retained from earnings include, among other things, valuation effects with no effect on net income pursuant to IAS 39 plus deferred taxes thereon. In the fiscal year under review, a total €–1 million (previous year €41 million) was reported in equity in relation to derivative financial instruments within cash flow hedges. As in the previous year, in the category of assets classified as "available for sale," no income or expenses were recognized in income. The share of fair value changes in hedges for stock-based remuneration recognized without an effect on income resulted in an increase in equity by €3 million (previous year decrease in equity by €15 million).

In addition, an increase in equity due to currency translation differences of €6 million (previous year €169 million) is primarily attributable to Romania, the Czech Republic, Serbia and Great Britain, while decreases in equity due to currency translation differences stem mostly from Ukraine, Turkey and Russia.

Under consideration of the dividend payout for 2005 (€–334 million), the remaining increase in revenue reserves to €2,269 million resulted mainly from the transfer of the period income due to stockholders of METRO AG for 2006 (€1,056 million).

Minority interests

Minority interests are the share of third parties in the capital stock of the consolidated subsidiaries. At year's end, minority interests amounted to €217 million (previous year €206 million). Significant minority interests exist in Media-Saturn-Holding GmbH.

Appropriation of balance sheet profit, dividends

Dividend distribution by METRO AG is based on METRO AG's annual financial statements prepared under German commercial law.

As resolved by the annual general meeting on May 18, 2006, a dividend of €1.020 per share of common stock and €1.122 per share of preferred stock, for a total of €333.6 million, was paid in fiscal year 2006 from the reported net income of €337.5 million for 2005. The remaining amount of €3.9 million was carried forward to the new account.

The Management Board of METRO AG will propose to the annual general meeting to pay from the reported net income of €435.4 million for 2006 a dividend of €1.120 per share of common stock and €1.232 per share of preferred stock, for a total of €366.3 million and to carry the remaining amount of €69.1 million forward to the new account. The net income 2006 of €435.4 million includes profit carried forward of €3.9 million.

30. Provisions for pensions and similar commitments

€ million	Dec 31, 2006	Dec 31, 2005
Pension provisions (employer's commitments)	589	570
Provisions for indirect commitments	223	209
Provisions for severance benefits	102	97
Provisions for company pension upgrades	5	4
Provisions for company pension plans	919	880
Other provisions for similar pension obligations	104	115
	1,023	995

Pension commitments for the most part consist of benefits arising under the **company pension plan**. There are defined benefit plans directly from the employer (employer's commitments) and defined benefit plans from external providers (benevolent funds in Germany and pension funds abroad) that are financed partly or wholly by funds in accordance with IAS 19 (as "post-employment benefits"). The benefits under the different plans are based on performance and length of service. Furthermore, the length of service benefits are guaranteed certain fixed amounts. New employees are not covered by the company pension plan.

The above pension commitments are valued on the basis of actuarial calculations using the legal, economic and tax circumstances of each country. The commitments exist almost exclusively in the European area.They are calculated on the basis of an assumed rate of interest of 4.65 percent (previous year 4.00 percent), average wage and salary increases of 2.50 percent (previous year 2.50 percent) and average pension increases of 1.25 percent (previous year 1.25 percent). The anticipated average return from plan assets amounts to 6.50 percent (previous year 6.43 percent). The employee turnover rate is determined separately for each business, taking age/length of service into account. The average employee turnover rate in Germany is 7.63 percent. The actuarial assumptions and calculations are based on country-specific mortality tables. Calculations for the German group companies are based on the tables 2005 G according to Dr. Klaus Heubeck.

Breakdown of the fair values of plan assets by asset category (weighted averages):

	Dec 31, 2006	Dec 31, 2005
Fixed-interest securities	36 %	36 %
Stocks, funds	43 %	42 %
Real estate	11 %	12 %
Other assets	10 %	10 %
	100 %	100 %

The expected average rate of interest is 4.9 percent for fixed-interest securities, 8.5 percent for stocks and funds and 5.1 percent for real estate. The respective rate of interest takes into account country-specific factors and is based, among others, on the expected long-term interest rates, and dividend payouts and the expected capital growth of the investment portfolio.
The actual income from plan assets was €61 million in fiscal year 2006 (previous year €96 million).

The financing status that results from the balance of the plan assets' net present value and fair value, developed as follows over the past five years:

€ million	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
Net present value	2,034	2,199	1,928	1,640	1,235
Plan assets	(907)	(844)	(744)	(589)	(316)
Financing status	1,127	1,355	1,184	1,051	919

In fiscal year 2007, pension obligations are expected to result in benefit payments of €53 million.

Changes in the net present value of defined benefit obligations (DBO) and external plan assets are shown in the table below:

€ million	2006	2005
Net present value (DBO)		
Balance on Jan 1	2,199	1,928
Effect of remeasurement[1]	–	6
Adjusted balance on Jan 1	2,199	1,934
Change in consolidation group	40	6
Interest expenses	88	91
Service cost	48	42
Transfer of assets	4	(2)
Past service cost	1	1
Curtailment	(10)	–
Pension payments	(126)	(112)
Actuarial gains (–)/losses (+)	(212)	236
Currency translation	2	3
Balance on Dec 31	**2,034**	**2,199**

€ million	2006	2005
Changes in plan assets		
Balance on Jan 1	844	746
Effect of remeasurement[1]	–	7
Adjusted balance on Jan 1	844	753
Change in consolidation group	27	–
Expected return on plan assets	51	44
Pension payments	(75)	(66)
Employer contributions incl. vesting balances	49	59
Actuarial gains (+)/losses (–)	10	52
Currency translation	1	2
Balance on Dec 31	**907**	**844**

€ million	2006	2005
Funding level		
Net present value (DBO), not fund financed	768	820
Net present value (DBO), partly or wholly fund financed	1,266	1,379
Subtotal	2,034	2,199
Market value of plan assets	(907)	(844)
Balance on Dec 31	1,127	1,355
Not yet recognized actuarial gains (+)/losses (–)	(249)	(508)
Past service costs	(9)	(11)
Net liabilities on Dec 31	**869**	**836**

[1]The remeasurement concerns Kaufhalle AG and Kaufhof Warenhaus AG, where the quantity structure was adjusted on the basis of new data as of January 1, 2005

In addition, liabilities of €5 million (previous year €5 million) were measured in line with local criteria.

Provisions for company pension plans in the amount of €919 million (previous year €880 million) are netted against assets for indirect pension plans in Great Britain and the Netherlands of €45 million (previous year €39 million). That leaves a net liability of €874 million (previous year €841 million).

The decline in actuarial losses essentially results from the adjustment of the assumed interest rate from 4.00 percent to 4.65 percent.

Plan assets include self-utilized real estate in the amount of €103 million (previous year €103 million).

The pension expenses of the direct and indirect company pension plans can be broken down as follows:

€ million	2006	2005
Interest expense on net present value (DBO)	88	91
Expected return on plan assets	(51)	(44)
Recognized actuarial gains (-)/losses(+)	34	17
= Effective interest rate expenses	71	64
Service cost[1]	42	37
Curtailment	(7)	–
Asset limitation	1	–
Past service cost	1	2
	108	103

[1]Netted against employees' contributions

Service costs were considered in selling expenses of €29 million (previous year €35 million) and administrative expenses of €8 million (previous year €4 million).

The item concerning **other provisions for commitments similar to pensions** mainly includes commitments from early retirement/pre-retirement part-time plans, employment anniversary allowances and death benefits. The commitments are valued on the basis of actuarial calculations. As a matter of principle, the parameters used are identical to those employed in the company pension plan.

31. Other provisions (non-current)/provisions (current)

In the year under review, other provisions (non-current)/provisions (current) changed as follows:

€ million	Real estate-related obligations	Obligations from merchandise trading	Restruc-turing	Taxes	Other Provisions	Total
Balance on Jan 1, 2006	154	139	26	154	262	735
Currency translation	0	0	–	0	1	1
Addition	103	91	218	70	172	654
Release	(33)	(7)	(6)	(10)	(72)	(128)
Utilization	(35)	(75)	(17)	(35)	(79)	(241)
Change in consolidation group	141	3	35	0	23	202
Interest portion in addition/change in interest rate	2	0	0	–	0	2
Transfers	(3)	0	15	0	(12)	0
Balance on Dec 31, 2006	329	151	271	179	295	1,225
Non-current	201	35	15	143	112	506
Current	128	116	256	36	183	719
Balance on Dec 31, 2006	329	151	271	179	295	1,225

Provisions for real estate-related obligations essentially concern uncovered rental commitments in the amount of €85 million (previous year €67 million), location risks in the amount of €103 million (previous year €38 million), rental commitments in the amount of €28 million (previous year €25 million) as well as reinstatement obligations of €31 million (previous year €19 million). Their increase during the reporting year is due mostly to the acquisition of the Wal-Mart Germany group.

The main components of the obligations from merchandise trading are reserves for rebates from the Payback program in the amount of €77 million (previous year €72 million) and reserves for guarantee services in the amount of €40 million (previous year €36 million).

The additions to restructuring reserves come essentially from the first-time consolidation of the Wal-Mart Germany group, with €35 million, and subsequent integration and other structural measures, with €204 million.

In general, tax reserves comprise reserves for tax risks from previous years.

The other reserves item contains mainly litigation costs/risks amounting to €69 million (previous year €51 million), gratuity commitments of €18 million (previous year €17 million), surety and guarantee risks of €6 million (previous year €30 million) as well as reserves for stock-based remuneration of €56 million (previous year €32 million).

Obligations from litigation costs/risks primarily include provisions for lawsuits, in particular proceedings against suppliers and customers.

Further information on stock-based compensation in the METRO Group is included in the notes no. 45.

32. Liabilities

€ million	Dec 31, 2006 total	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term over 5 years	Dec 31, 2005 total
Trade payables	12,416	12,416	–	–	10,952
Bonds	3,106	383	2,723	–	3,458
Due to banks	1,759	501	653	605	1,545
Note loans	498	144	204	150	389
Notes payable	513	513	–	–	451
Liabilities from finance leases	2,143	199	716	1,228	1,793
Financial liabilities	8,019	1,740	4,296	1,983	7,636
Other tax liabilities	515	515	–	–	431
Prepayments received on orders	30	30	–	–	20
Payroll	767	749	18	–	805
Liabilities from other financial transactions	48	26	22	–	35
Deferred income	258	63	104	91	123
Miscellaneous liabilities	1,010	646	338	26	986
Other liabilities	2,628	2,029	482	117	2,400
Income tax liabilities	304	304	–	–	249
	23,367	16,489	4,778	2,100	21,237

33. Trade payables

The book values essentially correspond to the market values.

Aside from the expansion of the Metro Cash & Carry as well as Media Markt and Saturn sales divisions, the dispoportionate increase in trade payables compared to sales growth is attributable to a calendar-related increase in liabilities due for settlement.

In addition, the acquisition of the Wal-Mart Germany group and the takeover of the Géant business in Poland led to an increase in trade payables of €159 million.

34. Financial liabilities

The "Debt Issuance Programme" begun in 2000 provides **long-term financing**. The following transactions were carried out under this program in 2006:

Type of transaction	Date of issuance	Maturity	Maturity date	Nominal volume	Coupon
Redemption	March 2001	5 years	March 2006	€200.0 million	5.75% fixed
Redemption	May 2003	3 years	May 2006	€314.3 million	variable
Redemption	November 1998	8 years	November 2006	€7.6 million	variable
New issue	September 2006	4 years	September 2010	€200.0 million	variable

In addition, note loans in the amount of €150 million with a maturity of seven years were issued during the reporting year.

For short- and medium-term financing, the METRO Group uses ongoing capital market issuance programs such as the "Euro Commercial Paper Program" launched in 1999 with an authorized volume of up to €3 billion. Another commercial paper program with a volume of €2.0 billion was launched in May 2003 to attract, in particular, investor groups on the French capital market. The average amount utilized by the two programs was €1.7 billion in 2006 (previous year €1.6 billion).

In addition, the METRO Group has access to syndicated lines of credit totaling €2,975 million with terms ending between November 2008 and February 2012. If the credit lines are used, the interest rates range between EURIBOR +20.0 basis points (bps) and EURIBOR +30.0 bps. The average amount drawn on the credit lines in 2006 was €217 million (previous year €1,000 million), the average amount drawn as per the closing date was €200 million (previous year €0 million).

The contract terms for the syndicated lines of credit provide for a decrease of 2.5 bps in the spread if the METRO Group's credit rating is raised one step. If the rating is lowered by one step, the spread would increase by 5 to 7.5 bps.

Additional bilateral bank lines of credit totaling €2,888 million (previous year €2,645 million) were available to the METRO Group as of December 31, 2006. Of this amount, €1,176 million (previous year €1,105 million) had a remaining term of up to one year. On the closing date, €1,559 million (previous year €1,545 million) of the bilateral lines of credit had been utilized. Of this amount, €301 million has a remaining term of up to one year (previous year €307 million).

In addition, bills of exchange totaling €513 million (previous year €451 million) were used for short-term financing.

The following table shows the maturity structure of the financial liabilities. The book and fair values (market values) indicated include the interest accrued when the maturity is less than one year.

Funding	Currency	Total amount issued in million currency	Remaining term	Par values Dec 31, 2006 in € million	Book values Dec 31, 2006 in € million	Fair values Dec 31, 2006 in € million
Bonds	EUR	299	up to 1 year	299	383	381
		2,700	1 to 5 years	2,700	2,691	2,720
		–	over 5 years	–	–	–
	CZK	–	up to 1 year	–	0	0
		9	1 to 5 years	0	0	0
		–	over 5 years	–	–	–
	JPY	–	up to 1 year	–	0	0
		5,000	1 to 5 years	32	32	32
		–	over 5 years	–	–	–
Liabilities to banks (excl. open account)	EUR	357	up to 1 year	357	370	416
		562	1 to 5 years	562	565	567
		561	over 5 years	561	561	561
	CNY	659	up to 1 year	64	64	64
		578	1 to 5 years	56	56	56
		–	over 5 years	–	–	–
	JPY	353	up to 1 year	2	2	2
		5,025	1 to 5 years	32	32	33
		1,680	over 5 years	11	11	11
	Other	–	up to 1 year	15	15	15
		–	1 to 5 years	–	–	–
		–	over 5 years	33	33	33
Note loans	EUR	128	up to 1 year	128	144	146
		205	1 to 5 years	205	204	208
		150	over 5 years	150	150	150

The remaining terms of liabilities due to banks are shown by redemption dates. For remaining terms over one year, the fair values principally include the book value. The difference between book value and fair value of the entire loan is shown in the remaining term under one year.

The following table depicts the interest rate structure of the financial liabilities:

Funding	Interest terms	Currency	Remaining term	Weighted interest rate when issued (%)	Total amount issued in € million
Bonds	Fixed interest bond	EUR	up to 1 year	5.48	299
			1 to 5 years	4.94	1,750
			over 5 years	–	–
		CZK	up to 1 year	–	–
			1 to 5 years	10.50	0
			over 5 years	–	–
		JPY	up to 1 year	–	–
			1 to 5 years	1.32	32
			over 5 years	–	–
	Floating rate bonds	EUR	up to 1 year	–	–
			1 to 5 years	3.87	950
			over 5 years	–	–
Liabilities to banks (excl. open account)	Fixed interest	EUR	up to 1 year	3.75	357
			1 to 5 years	5.86	562
			over 5 years	5.46	551
		CNY	up to 1 year	5.15	64
			1 to 5 years	5.60	56
			over 5 years	–	–
		Other	up to 1 year	7.22	15
			1 to 5 years	–	–
			over 5 years	–	–
	Variable interest	EUR	up to 1 year	–	–
			1 to 5 years	–	–
			over 5 years	4.39	10
		JPY	up to 1 year	1.10	2
			1 to 5 years	1.05	33
			over 5 years	0.97	11
		Other	up to 1 year	–	–
			1 to 5 years	–	–
			over 5 years	7.78	33
Note loans	Fixed interest	EUR	up to 1 year	5.82	128
			1 to 5 years	5.80	205
			over 5 years	3.79	100
	Variable interest	EUR	up to 1 year	–	–
			1 to 5 years	–	–
			over 5 years	3.60	50

The fixed interest rate of short- and medium-term financial liabilities and the repricing dates of all fixed-interest financial liabilities essentially correspond to the displayed remaining terms. The repricing dates for variable interest rates are less than one year.

Financial liabilities of €1,089 million are subject to a variable interest rate of 3.86 percent p. a. A change in interest rates of 0.1 percentage points reduces/raises interest expenses by €1 million.

35. Other liabilities

€ million	Dec 31, 2006 Total	Dec 31, 2006 Remaining term up to 1 year	Dec 31, 2006 Remaining term over 1 year	Dec 31, 2005 Total	Dec 31, 2005 Remaining term up to 1 year	Dec 31, 2005 Remaining term over 1 year
Other tax liabilities	515	515	–	431	431	–
Payroll	767	749	18	805	785	20
Deferred income	258	63	195	123	52	71
Miscellaneous liabilities	1,088	702	386	1,041	699	342
	2,628	2,029	599	2,400	1,967	433

The addition of the Wal-Mart Germany group and the Géant business in Poland added €94 million to the deferred income item through fair value adjustments for lease obligations.

Miscellaneous liabilities listed among other liabilities include numerous individual items such as liabilities to non-group companies, liabilities from other financial business, liabilities from real estate and liabilities from costs for the annual accounts.

In addition, this item includes commitments from stock tender rights.

Amounts shown for financial instruments under miscellaneous liabilities are essentially their market values.

OTHER NOTES

36. Notes to the consolidated cash flow statement

In accordance with IAS 7 (Cash Flow Statement), the consolidated statement of cash flows describes changes in the group's liquid funds through cash inflows and outflows during the year under review.

The consolidated cash flow statement distinguishes between changes in cash levels from operating, investing and financing activities. Following the initial public offering of Praktiker and the sale of real estate used by Praktiker, the cash flows of these discontinued operations were stated separately during the previous year.

The item cash and cash equivalents includes checks and cash on hand as well as bank deposits.

In fiscal year 2006, net cash provided by operating activities of continuing operations amounted to €3,263 million (previous year €2,034 million). An extraordinarily strong improvement of net working capital essentially accounted for the increase in operating cash flow.

EBIT includes the negative difference from the acquisition of the Wal-Mart Germany group that is allocated to the Real segment. This was corrected as a non-cash contribution to cash flow from other operating activities. The non-cash increase in other reserves resulted essentially from provisions for the restructuring of central departments and expenses related to store network measures in the Real segment.

In fiscal year 2006, the group recorded cash outflows of €1,302 million from investing activities of continuing operations (previous year cash outflows of €1,125 million). The divestment of Praktiker resulted in cash inflows of €484 million (previous year €670 million).

The amount of investments in tangible assets stated as cash outflows differs from the addition reported in the analysis of fixed assets by the non-cash additions from finance leases.

Cash flow from financing activities of continuing operations shows €397 million lower cash outflows during the reporting year compared to the previous year.

37. Segment reporting

Segment reporting has been carried out in line with IAS 14 (Segment Reporting). The segmentation corresponds to the group's internal controlling and reporting structures. Details on the segments are included in the management report.

Primary reporting is carried out by division. Secondary reporting distinguishes between the regions Germany, Western Europe excluding Germany, Eastern Europe and Asia/Africa.

- External sales represent sales of the divisions to third parties outside the group.
- Internal sales represent sales between the group's divisions.

- Segment EBITDA comprises EBIT before depreciation on tangible and intangible assets.
- EBIT as the key ratio for segment reporting describes operating earnings for the period before net financial income and income taxes.
- Aside from all historic costs resulting from the purchase or production of segment assets during the reporting period, segment investments also include investments in non-current financial assets.
- Segment assets include that portion of non-current and current assets that are used for the segment's operating activities.This includes, in particular, intangible assets (including goodwill acquired), tangible assets, inventories, trade receivables as well as the portion of other receivables and assets that originates in the segment's operating activities.
- Segment liabilities include that portion of non-current and current liabilities that results from the segment's operating activities. This includes, in particular, provisions for pensions and similar commitments, trade payables as well as the portion of other provisions and liabilities that originates in the segment's operating activities.
- Transfers between segments are made at arm's length.

38. Management of financial risks

The finance department of METRO AG manages the financial risks of the METRO Group. These include, in particular,

- price risks,
- liquidity risks,
- creditworthiness risks and
- cash flow risks.

Price risks

For the METRO Group, price risks result from the impact of changes in market interest rates or foreign currency exchange rates on the fair value of a financial instrument.

Interest rate risks are caused by potential changes in the fair value of financial instruments due to changes in market interest rates. Interest rate swaps and interest limitation agreements are used to cap these interest rate risks.

The METRO Group faces currency risks in its international procurement of merchandise and because of costs that are incurred in a currency other than the relevant local currency or are pegged to the price of another currency. The resulting currency risk exposure must be hedged at the time it is incurred. Forex futures, interest rate swaps and currency swaps are used in these cases to limit currency risks.

Stock price risks result from stock-based compensation of METRO Group executives. The remuneration (monetary bonus) is essentially based on the stock price development of the Metro common stock. Stock options on the METRO AG common stock are used to cap this risk.

Interest and currency risks are, however, substantially reduced and limited by the principles laid down in the internal treasury guidelines of the METRO Group. These include, for example, a regulation that is applicable throughout the group whereby all hedging operations must adhere to predefined limits and may by no means lead to increased risk exposure. The METRO Group is aware that this severely limits the opportunities to exploit current or expected interest rate and exchange rate movements to optimize results.

Hedging may be carried out only with standard financial derivatives whose correct actuarial and accounting mapping and valuation in the treasury system is guaranteed.

As per the closing date, the following financial instruments were being used for risk reduction:

	Dec 31, 2006			Dec 31, 2005		
		Fair values			Fair values	
€ million	Nominal volume	Financial assets	Financial liabilities	Financial volume	Finanical assets	Financial liabilities
Interest rate transactions						
Interest rate swaps	1,461	25	–	1,670	46	4
within fair value hedges	[950]	[19]	[–]	[850]	[31]	[–]
within cash flow hedges	[500]	[6]	[–]	[8]	[0]	[0]
not part of a hedge	[11]	[0]	[–]	[812]	[15]	[4]
Interest limitation agreements	750	7	–	750	3	–
within fair value hedges	[–]	[–]	[–]	[–]	[–]	[–]
within cash flow hedges	[750]	[7]	[–]	[750]	[3]	[–]
not part of a hedge	[–]	[–]	[–]	[–]	[–]	[–]
	2,211	32	–	2,420	49	4
Currency transactions						
Forex futures/options	874	6	10	1,021	8	4
within fair value hedges	[–]	[–]	[–]	[–]	[–]	[–]
within cash flow hedges	[190]	[0]	[7]	[230]	[7]	[1]
not part of a hedge	[684]	[6]	[3]	[791]	[1]	[3]
Interest rate/currency swaps	161	0	30	239	9	26
within fair value hedges	[32]	[0]	[16]	[0]	[0]	[–]
within cash flow hedges	[6]	[0]	[0]	[(4)]	[0]	[–]
not part of a hedge	[123]	[–]	[14]	[243]	[9]	[26]
	1,035	6	40	1,260	17	30
Stock price-related transactions						
Hedging of stock bonus programs[1]	58	102	–	49	68	–
within fair value hedges	[–]	[–]	[–]	[–]	[–]	[–]
within cash flow hedges	[52]	[91]	[–]	[49]	[68]	[–]
not part of a hedge	[6]	[11]	[–]	[–]	[–]	[–]
	58	102	–	49	68	–
Total	**3,304**	**140**	**40**	**3,729**	**134**	**34**

[1]The nominal volume of hedging transactions for the stock bonus programs in the amount of €58 million (previous year €49 million) corresponds to 9.8 million (previous year 8.4 million) stock options with a subscription ratio of 1:1. In addition, the 2005 figure also includes 1,685,000 hedging transactions on stock option programs and stock appreciation rights with a positive fair value of €23 million

Like the fair values of bonds, note loans and liabilities to banks, the fair values of the derivative financial instruments are calculated according to the net present value method; the fair values of options according to the Black & Scholes model. They represent the theoretical value of these instruments upon dissolution of the transactions at the end of the period. Under the premise that these instruments are held until the end of their term, these are unrealized gains and losses that, by the end of the term, will be fully set off by gains and losses from the underlying transactions in the case of fully effective hedging transactions.

For the purpose of showing this reconciliation appropriately for the period, relationships are created between hedging transactions and underlying transactions and recognized as follows:

Within a fair value hedge, both the hedging transaction and the hedged risk of the underlying transaction are recognized at their fair value (market value). The value fluctuations of both trades are shown in the income statement, where they will be fully set off against each other in the case of full effectiveness.

Within a cash flow hedge, the hedging transactions are also principally recognized at their fair value (market value). In the case of full effectiveness of the hedging transaction, the value changes will be recognized in equity until the hedged payment flows or expected transactions impact the result. Only then will they be recognized in income.

Hedging transactions that, according to IAS 39, are not part of a hedge, are recognized at their fair value (market value). Value changes are recognized directly in income. Even if no formal hedging relationship was created, these are hedging transactions that are closely connected to the underlying business and whose impact on earnings will be netted by the underlying transaction (natural hedge).

The nominal volume of the forex futures/options transactions and interest limitation agreements is determined by the net position of amounts bought and sold underlying the individual transactions. The nominal volume of the interest rate swaps and interest rate/currency swaps and the interest rate hedging agreements is reported at gross values. The nominal volume of hedges on stock option programs is calculated from the difference between target stock price and basis price, multiplied by the number of issued subscription rights.

The currency derivatives are used primarily for pound sterling, Danish krone, Slovak koruna, Czech koruna, Polish zloty, Japanese yen, Swiss franc, Hungarian forint, Russian ruble and Turkish lira.

The derivative financial instruments have the following maturities:

	Fair values		
	Maturities		
€ million	up to 1 year	1 to 5 years	over 5 years
Interest rate transactions			
Interest rate swaps	4	15	6
within fair value hedges	[4]	[15]	[–]
within cash flow hedges	[–]	[–]	[6]
not part of a hedge	[–]	[–]	[0]
Interest limitation agreements	–	7	–
within fair value hedges	[–]	[–]	[–]
within cash flow hedges	[–]	[7]	[–]
not part of a hedge	[–]	[–]	[–]
Currency transactions			
Forex futures/options	(4)	–	0
within fair value hedges	[–]	[–]	[–]
within cash flow hedges	[(7)]	[–]	[–]
not part of a hedge	[3]	[–]	[0]
Interest rate/currency swaps	0	(30)	0
within fair value hedges	[–]	[(16)]	[–]
within cash flow hedges	[0]	[–]	[–]
not part of a hedge	[–]	[(14)]	[0]
Stock price-related transactions			
Hedging of stock bonus programs	46	56	–
within fair value hedges	[–]	[–]	[–]
within cash flow hedges	[41]	[50]	[–]
not part of a hedge	[5]	[6]	[–]
Total	46	48	6

Listed below the maturities are the fair values of the financial assets and liabilities that fall due during these periods.

Floating interest rates are adjusted at intervals of less than one year.

To quantify the potential market value losses of all financial instruments, METRO AG uses Value-at-Risk calculations (VaR). A variance-covariance approach is used to determine potential changes in the value of financial positions triggered by changes in interest rates and exchange rates within probable fluctuation bands. In accordance with the treasury guidelines, the observation period used to calculate the potential loss is 10 days and is subject to the supposition that because of the extent of the positions not all positions can be liquidated within a short period of time. Other parameters include the historical market data for the past 100 days and a 99 percent confidence level.

Liquidity risks

METRO AG acts as financial coordinator for the METRO Group companies to ensure that they are provided with the necessary financing to fund their operating and investing activities at all times and in the most cost-efficient manner possible. The necessary information is provided by means of a rolling group financial forecast, updated quarterly, and checked monthly for deviations. This financial forecast with a planning horizon of 12 months is complemented by a short-term, weekly rolling 14-day liquidity plan. Funding needs are met by a mix of money market and capital market instruments (time deposits, call money, commercial paper and bonds sold as part of ongoing issue programs) as well as bilateral and syndicated bank loans. The METRO Group has access to sufficient liquidity at all times so that there is no danger of liquidity risks even if an unexpected event has a negative financial impact on the company's liquidity situation.

Further details on financial instruments and credit lines are provided by the explanatory notes under the respective balance sheet item.

Intra-group cash pooling reduces the amount of debt and optimizes the money market and capital market investments of the METRO Group, which has a positive effect on net interest income. Cash pooling allows the surplus liquidity of individual group companies to be used to fund other group companies internally.

In addition, METRO AG draws on all the financial expertise pooled in its finance department to advise the group companies in all relevant financial matters and provide support. This ranges from the elaboration of investment financing concepts through supporting the responsible financial officers of the individual group companies in their negotiations with local banks and financial service providers. This ensures, on the one hand, that the financial resources of the METRO Group are optimally employed in Germany and abroad and, on the other hand, that all group companies benefit from the strength and credit standing of the METRO Group in negotiating their financing terms.

Creditworthiness risks

Creditworthiness risks may arise from the total or partial loss of a counterparty, for example through bankruptcy, in connection with monetary investments and derivative financial instruments with positive market values. Within the scope of creditworthiness management, all of the METRO Group's counterparties must comply with certain minimum creditworthiness requirements. In addition, individual maximum exposure limits have been defined. The basis for creditworthiness management is a system of limits laid down in the treasury guidelines, which are based mainly on the ratings of international rating agencies or internal credit assessments. An individual limit is allocated to every counterparty of the METRO Group; compliance is constantly monitored by the treasury systems.

The following table shows a breakdown of counterparties by credit ratings:

Rating classes			Volume in %					
			Monetary investments					
Grade	Moody's	Standard & Poor's	Germany	Western Europe excl. Germany	Eastern Europe	Asia and others	Derivates with positive market values	Total
Investment grade	Aaa	AAA	7.3	0.1	0.0	0.0	0.0	
	Aa1 to Aa3	AA+ to AA-	20.4	23.6	0.6	0.5	3.6	
	A1 to A3	A+ to A-	13.4	17.9	6.7	0.1	1.7	
	Baa1 to Baa3	BBB+ to BBB-	0.0	0.0	0.9	0.0	0.0	96.8
Non-investment grade	Ba1 to Ba3	BB+ to BB-	0.0	0.0	0.5	0.6	0.0	
	B1 to B3	B+ to B-	0.0	0.0	0.1	0.0	0.0	
	C	C	0.0	0.0	0.0	0.0	0.0	1.2
No rating			0.7	1.2	0.1	0.0	0.0	2.0
Total			41.8	42.8	8.9	1.2	5.3	100.0

The table shows that as of the closing date about 97 percent of the capital investment volume, including the positive market value of derivatives, had been placed with investment-grade counterparties, in other words, those with good or very good credit ratings. Most of the counterparties that do not yet have an internationally accepted rating are respected financial institutions whose creditworthiness can be considered flawless based on our own analyses. The METRO Group also operates in countries where local financial institutions do not have investment-grade ratings due to the rating of their country. For country-specific reasons as well as cost and efficiency considerations, cooperation with these institutions is, however, unavoidable. These institutions account for 1 percent of the total volume.

The METRO Group's level of exposure to creditworthiness risk is thus very low.

Cash flow risks

A future change in interest rates may cause cash flow from variable interest rate asset and debt items to fluctuate. Part of the variable interest rate debt has been hedged with derivative financial instruments. The Treasury Committee, which includes the CFO of METRO AG, determines the extent of these hedging measures on a regular basis. In addition, stress tests are used to determine what impact interest-rate changes may have on cash flow.

The finance department also accounts for these risks by defining a benchmark for the relationship between variable and fixed-interest debt. The target structure for the debt portfolio foresees 55 percent variable and 45 percent fixed interest. However, this surplus does not result in a noteworthy interest rate risk for the METRO Group. The use of appropriate financing instruments makes it possible for the interest profile to adjust to the underlying original financial transactions in order to reach the above-mentioned benchmark.

39. Contingent liabilities and other contingencies

€ million	Dec 31, 2006	Dec 31, 2005
Liabilities from suretyships and guarantees	19	28
Liabilities from guarantee and warranty contracts	112	215
	131	243

The decline in liabilities from guarantee and warranty contracts results mainly from the elimination of all potential obligations from the sale of Praktiker real estate. In addition, the divestment of Extra stores markedly reduced the remaining guarantee and warranty contracts by the closing date.

40. Other financial obligations

€ million	Dec 31, 2006	Dec 31, 2005
Purchasing/sourcing commitments	109	90
Other	14	19
	123	109

Purchasing/sourcing commitments concern a number of contracts regarding the sourcing of services (maintenance contracts), energy, advertising material and office supplies.

Please see notes no. 19 and 20 for information on purchasing commitments for other intangible and tangible assets and obligations from finance and operating leases.

41. Other legal issues

Status of legal challenge

The share exchange ratio set for the incorporation of Asko Deutsche Kaufhaus AG and Deutsche SB-Kauf AG into METRO AG in 1996 is undergoing judicial review in appraisal processes initiated by former stockholders. The former stockholders maintain that the exchange ratio was set too low, putting them at a disadvantage.

These two legal challenges are pending in district courts located in Saarbrücken and Frankfurt/Main.

Resolutions of the annual general meeting of May 22, 2003

The District Court of Düsseldorf (file no. I-6 U 241/06) on December 14, 2006 ruled in the appeals procedure on the legal challenge filed by Dr. Hereth against the resolutions of the annual general meeting in 2003 regarding the approval of the acts of the Management Board (TOP 3) and the election of the auditor for fiscal year 2003 (TOP 5). It fully dismissed the petitioner's appeal against the dismissal of his lawsuit challenging the approval of the acts of the Management Board. The District Court voided the appointment by the annual general meeting 2003 of the auditor for fiscal year 2003 on account of an infringement against the rotation principle laid down in § 319 Section 3 No. 6 HGB a. F. The ruling is not yet effective. Even if the District Court ruling were to become effective, however, it would not impact the effectiveness and existence of the annual financial statements for 2003, according to several expert opinions solicited by the company's Management Board.

42. Stockholding

The list of stockholdings of METRO AG pursuant to § 313 HGB (German Commercial Code) is included in a separate list. In accordance to § 313 Section 4 S. 2 HGB, this list is part of the notes.

43. Events after the balance sheet date

Events of material importance for the evaluation of the asset, financial and earnings situation of METRO AG and the METRO Group did not occur before February 26, 2007 (release of the annual financial statements to the Supervisory Board). The Supervisory Board has the task of examining the consolidated financial statements and making a declaration as to whether it approves the consolidated financial statements.

44. Notes on related parties

In 2006 and 2005, the METRO Group maintained the following business relations to related companies:

	Goods/services provided		Goods/services received	
€ million	2006	2005	2006	2005
Supplies and other services	142	170	27	8

The goods/services received consist primarily of property leases by companies in the METRO Group. The properties are owned by companies that are included in the circle of related companies.

The goods/services provided in business relations with related companies consist primarily of services provided by group companies to the Praktiker group, with €25 million. These concern the time until the divestment of the METRO Group's remaining shares on April 11, 2006. They consist primarily of leasing and services in the areas of procurement, logistics, energy provision and information technology.

Business relations with related companies are based on contractual agreements providing for arm's length prices. In fiscal year 2006, the METRO Group had no business relations with related natural persons.

45. Stock-based compensation for executives

In 1999, METRO AG introduced a program of stock-based remuneration. The members of the Management Board and other executives of METRO AG as well as executives of selected METRO Group companies are eligible.

In the past, the executives of METRO AG and the cross-divisional service companies received options from the **stock option program**. The executives of the sales divisions received so-called **stock appreciation rights** that result in a cash payment when exercised.

Participation in the stock option program gave participants the right to acquire METRO AG common stock at a previously determined price for a set period of time. The exercise terms and conditions of the stock option plan, as agreed by the Management Board, stipulated that the company may grant the qualifying SOP beneficiaries a cash compensation in lieu of the delivery of new common stock, which is equal to the difference between the opening price and the applicable closing price of Metro stock at the time the options are exercised. This option was used by all beneficiaries of the program with regard to all subscription rights issued.

The stock options and stock appreciation rights held in the group during fiscal year 2006 changed as follows:

STOCK OPTIONS/STOCK APPRECIATION RIGHTS

	2006		2005	
	Stock options units	Stock appreciation rights units	Stock options units	Stock appreciation rights units
Outstanding on Jan 1	507,420	1,460,120	1,476,693	3,155,760
Issued	0	0	0	0
Exercised	471,020	1,263,650	575,503	1,058,365
Expired/forfeited	5,470	107,890	393,770	637,275
Outstanding Dec 31	**30,930**	**88,580**	**507,420**	**1,460,120**

The rights with a maturity of about one year can be exercised following the end of a three-year blocking period. The rights may be exercised only if the stock price of METRO AG exceeded the basis price by at least 30 percent (exercise hurdle) during the last 20 consecutive trading days before the options were exercised after the end of the blocking period.

The terms of the tranches that are still in effect 2007 are listed in the following table:

				Stock options		Stock appreciation rights	
Tranche	Expiration date	Basis price €	Exercising hurdle €	Dec 31, 2006 units outstanding	Dec 31, 2005 units outstanding	Dec 31, 2006 units outstanding	Dec 31, 2005 units outstanding
2002	8 weeks after AGM[1] in 2006	28.73	37.35	0	23,920	0	77,170
2003	8 weeks after AGM[1] in 2007	26.99	35.09	30,930	483,500	88,580	1,382,950

[1]Annual general meeting of METRO AG

During the year under review, 21,250 stock options and 62,480 stock appreciation rights were exercised from the 2002 tranche. The average strike price per right was €43.87. A total of 2,670 stock options and 14,690 stock appreciation rights were forfeited.

From the 2003 tranche, 449,770 stock options and 1,201,170 stock appreciation rights were exercised. The average strike price per right was €44.09. A total 2,800 stock options and 93,200 stock appreciation rights were forfeited and the remaining term of the rights that may still be exercised from the 2003 tranche ends on July 18, 2007.

In fiscal year 2004, a five-year stock bonus program was introduced to replace the **stock option program.** In contrast to the previous granting of subscription rights, this program provides the entitlement to stock bonuses. The size of the cash bonus depends on the performance of the Metro stock price and the parallel consideration of benchmark indices.

The stock bonus program is divided into a tranche for each year, with the target parameters being calculated separately for each tranche. The maturity of each tranche is three years. The last tranche will be granted in 2008.

The size of the bonus initially depends on the ratio of opening price and target price.

The opening price of each tranche corresponds to the arithmetic mean of the closing prices of the METRO AG common stock in XETRA trading of Deutsche Börse AG in Frankfurt/Main on the 20 last consecutive trading days before the closing date (eight weeks after the respective annual general meeting).

The target price, upon which the full bonus is granted, is calculated based on the opening price and assumes a stock price increase of 15 percent over the course of three years. Whether the target price has been reached is determined by means of the arithmetic mean of the closing prices of the company's common stock in XETRA trading on the last 20 consecutive trading days before expiration of the relevant three-year period. The bonus increases or decreases proportionately when the stock price exceeds or falls below the 15 percent price target.

The size of the respective bonus also depends on the performance of the Metro stock compared with relevant German and European sectoral indices. When the Metro stock has outperformed these indices, the stock bonus is raised to 120 percent. When it underperforms, it is reduced to 80 percent. Outperformance or underperformance applies when the Metro stock exceeds or falls below the aforementioned average by more than 10 percent. Outperformance or underperformance is determined analogous to the determination of whether the target price has been reached.

The stock bonus is granted only if the terms of employment within the METRO Group have not been ended unilaterally or a contract termination has been reached by mutual consent at the time of maturity. In addition, the payment of stock bonuses is limited to the size of the fixed salary. Any potential excess amounts are used to raise the stock bonus during the following three years when the latter is lower than the target bonus.

The conditions of the tranches granted to executives so far are listed in the following table:

STOCK BONUS

Tranche	Due date	Basis price €	Target price €	Total target bonus in €
2004	July 2007	37.14	42.71	21,610,000
2005	July 2008	41.60	47.84	23,825,000
2006	July 2009	43.15	49.62	25,510,000

The target bonus values are based on the assumption that the target prices are attained. The value of the stock bonus paid in 2006 was €32,764,776 at the time of payment and was calculated by independent experts using the Monte Carlo method.

Total expenses on stock-based compensation programs after income from hedging transactions amount to €24 million in fiscal year 2006 (previous year €20 million).

The related provisions as per December 31, 2006 amount to €56 million (previous year €32 million), including €31 million (previous year €21 million) with a remaining term of up to one year.

46. Management Board and Supervisory Board

Company expenses on Management Board compensation in 2006

The company's expenses on the remuneration of the active members of the Management Board essentially consists of a fixed salary and performance-based entitlements as well as the prorated expenses on all stock-based remuneration with expiry dates in fiscal year 2006 or later.

The amount of the variable, performance-based compensation for fiscal year 2006 results from EVA-based compensation entitlements and thus from the company's performance during the current fiscal year. As a result of the bonus bank system, their complete payment is dependent on EVA factors and thus on the company's performance in the next few years.

In accordance to statutory requirements, the value of stock-based compensation allocated to activities during the fiscal year is the main determinant of the amount that flows into overall compensation. If the remuneration is granted for board member activities relating to future periods, only the portion of the value of stock-based compensation that applies to the respective fiscal year is to be disclosed. Accordingly, the stock bonuses granted in 2006 and the stock-based compensation granted in previous years must be considered in prorated amounts as long as their expiry dates are in fiscal year 2006 or later. In this context, hedging transactions carried out by the company are not considered.

Due to the granting of a monetary target bonus, a number of subscription rights in accordance with §§ 285 Sentence 1 No. 9 a, 314 Section 1 No. 6 a German Commercial Code cannot be released. The payment of the bonuses depends on the previously described conditions of stock option plan.

The company's expenses on the remuneration of active members of the Board of Management in fiscal year 2006 amounts to €15.0 million (previous year €8.5 million). This includes €3.3 million (previous year €3.2 million) in fixed salaries, €8.4 million (previous year €4.3 million) in performance-based entitlements, €3.1 million (previous year €1.4 million) in variable entitlements with long-term incentives and €0.2 million (previous year €0.1 million) in other remuneration.

Other remuneration includes non-cash benefits from the provision of company cars and benefits related to guidelines for promoting international mobility among executives of the METRO Group.

Total compensation of former members of the Management Board
Former members of the Management Boards of METRO AG and the companies that were merged into METRO AG as well as their surviving dependents received €6.2 million (previous year €3.6 million). The provisions for current pensions and pension entitlements made for this group totaled €40.4 million (previous year €40.9 million).

The information released pursuant to § 314 Section 1 No. 6a Sentence 5 to 9 HGB can be found in the extensive remuneration report in chapter X of the group management report.

Compensation of the members of the Supervisory Board
The total remuneration of all members of the Supervisory Board in fiscal year 2006 amounts to a net €1.7 million (previous year €1.6 million).

Additional information on the remuneration of Supervisory Board members can be found in the extensive remuneration report in chapter X of the group management report.

47. Auditors' fees

The following fees related to the services rendered by auditor KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft and its associated companies were recorded as expenses:

€ million	Dec 31, 2006	Dec 31, 2005
Audit	6	5
Other certification or evaluation services	1	1
Tax consultation services	1	1
Other services	0	1
Total	**8**	**8**

Only services that are consistent with the task as the auditor of the annual financial statements were provided.

48. Declaration of compliance with the German Corporate Governance Code

The Management and Supervisory Boards of METRO AG at year's end 2006 made a declaration of compliance with the recommendations of the government commission German Corporate Governance Code pursuant to § 161 AktG (German Stock Corporation Act) which can be accessed on the METRO AG website (www.metrogroup.de) at any time.

49. Election to be exempt from §§ 264 Section 3 and 264 b HGB

The following domestic subsidiaries in the legal form of stock corporations or partnerships will use the exemption requirements according to § 264 Section 3 and § 264 b HGB, and will thus refrain from disclosing their annual financial statements for 2006 as well as mostly from disclosing their (HGB) notes and management report.

a) Operative companies and service entities

1. Schaper Objekt GmbH & Co. Wächtersbach KG	Düsseldorf
2. Schaper Objekt GmbH & Co. Memmingen KG	Düsseldorf
3. Classic Objekt GmbH & Co. München-Pasing KG	Düsseldorf
4. Classic Objekt GmbH & Co. Hamburg-Altona KG	Düsseldorf
A.L.C. Warenvertriebsgesellschaft mbH	Düsseldorf
AXXE Reisegastronomie GmbH	Cologne
Buch und Zeit Verlagsgesellschaft mbH	Cologne
C + C Schaper GmbH	Hanover
CH-Vermögensverwaltung GmbH	Düsseldorf
DINEA Gastronomie GmbH	Cologne
Emotions GmbH	Cologne
extra Multi-Markt Warenvertriebs-GmbH & Co. KG	Sarstedt
extra Verbrauchermarkt Verwaltungsgesellschaft mbH	Sarstedt
extra Verbrauchermärkte Management GmbH	Alzey
GEMINI Personal Service GmbH	Cologne
Goldblume-O'LACY'S-Handels GmbH	Düsseldorf
Goldhand Lebensmittel- u. Verbrauchsgüter-Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf
Hans Köfer GmbH, Weinkellerei	Düsseldorf
Johannes Berg GmbH, Weinkellerei	Düsseldorf
Kaufhaus Kerber GmbH & Co. KG	Fulda
Kaufhof Warenhaus AG	Cologne
Kaufhof Warenhaus Rostock GmbH	Rostock
Kerber Beteiligungs-GmbH	Fulda
LSZ Betriebsführungsgesellschaft mbH & Co. KG	Alzey
Lust for Life Gastronomie GmbH	Cologne
MDH Secundus GmbH & Co. KG	Düsseldorf
MDH Secundus Vermögensverwaltung GmbH	Düsseldorf
Meister feines Fleisch – feine Wurst GmbH	Gäufelden
METRO Achte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
Metro Beteiligungsmanagement Düsseldorf GmbH & Co. KG	Düsseldorf
Metro Cash & Carry Brunnthal GmbH	Berlin
Metro Cash & Carry Deutschland GmbH	Düsseldorf
Metro Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
Metro Cash & Carry International GmbH	Düsseldorf
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf
Metro Großhandelsgesellschaft mbH	Düsseldorf

Metro International Beteiligungs GmbH	Düsseldorf
Metro Kaufhaus und Fachmarkt Holding GmbH	Düsseldorf
Metro Luxemburg Holding GmbH	Düsseldorf
METRO Neunte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
Metro Online GmbH	Düsseldorf
Metro SB-Großmärkte GmbH & Co. KG Esslingen	Esslingen
Metro SB-Großmärkte GmbH & Co. KG Linden	Linden-Großen-Linden
Metro SB-Großmärkte Verwaltungsgesellschaft mit beschränkter Haftung	Mülheim a.d. Ruhr
Metro Sechste Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
Metro Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
METRO Zehnte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
METRO Zehnte GmbH & Co. KG	Düsseldorf
MFM METRO Group Facility Management GmbH	Düsseldorf
MFV METRO Fruit & Vegetables Logistics GmbH & Co. KG	Düsseldorf
MGA METRO Group Advertising GmbH	Düsseldorf
MGB METRO Group Buying GmbH	Düsseldorf
MGB METRO Group Buying International GmbH	Düsseldorf
MGB METRO Group Buying West GmbH	Düsseldorf
MGC METRO Group Clearing GmbH	Düsseldorf
MGE Warenhandels GmbH	Düsseldorf
MGI METRO Group Information Technology GmbH	Düsseldorf
MGL METRO Group Logistics GmbH	Düsseldorf
MGL METRO Group Logistics Warehousing GmbH & Co. KG	Sarstedt
MGL METRO Group Logistics Warehousing Management GmbH	Sarstedt
MGP METRO Group Account Processing GmbH	Kehl-Sundheim
MGS METRO Group Services Holding GmbH	Düsseldorf
MGT METRO Group Travel Services GmbH	Düsseldorf
MIB METRO Group Insurance Broker GmbH	Düsseldorf
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf
MTT METRO Group Textiles Transport GmbH	Düsseldorf
Multi-Center Warenvertriebs GmbH	Hanover
real,- Holding GmbH	Alzey
real,- International Holding GmbH	Alzey
real,- Multi-Markt Warenvertriebs-GmbH & Co. KG	Alzey
real,- SB-Warenhaus GmbH	Alzey
SB-Leasing GmbH & Co. KG	Grünwald
SIG Import GmbH	Düsseldorf
SPORTARENA GmbH	Cologne
Wal-Mart Administrations GmbH	Wuppertal
Wal-Mart Germany GmbH & Co. KG	Wuppertal
Wal-Mart Germany Verwaltungs GmbH	Wuppertal
Wal-Mart Mitte GmbH & Co. KG	Wuppertal

Wal-Mart SB Warenhaus AG	Wuppertal
Wal-Mart Stores Beteiligungen GmbH	Wuppertal
Wal-Mart Support GmbH & Co. KG	Wuppertal
Wal-Mart Warenhandelsgesellschaft mbH & Co. Objekt Ratingen KG	Wuppertal
Weinkellerei Thomas Rath GmbH	Düsseldorf
WestBTL Handel-Beteiligungsgesellschaft mit beschränkter Haftung	Düsseldorf

b) Real estate companies

ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
Adolf Schaper GmbH & Co. Grundbesitz KG	Saarbrücken
ARKON Grundbesitzverwaltung GmbH	Saarbrücken
ASH Grundstücksverwaltung XXX GmbH	Saarbrücken
Asset Grundbesitz GmbH	Cologne
Asset Immobilienbeteiligungen GmbH	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Wohnanlage Frankfurt KG	Saarbrücken
Asset Verwaltungs-GmbH	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Aachen II KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Aachen, Adalbertstr. 20–30 KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Aschaffenburg KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Bergen-Enkheim KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Bonn, Acherstr. KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Darmstadt KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Dortmund KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Düsseldorf, Königsallee 1 KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Frankfurt Hauptwache KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Freiburg im Breisgau KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Gäufelden KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Gelsenkirchen KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Hamburg-Poppenbüttel, Kritenbarg 10 KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Hanau KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Hannover KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Kassel KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Kassel, Obere Königstraße KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Köln, Minoritenstraße KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Köln, Schildergasse 94–96 a KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Köln-Kalk, Kalker Hauptstr. 118–122 KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Leipzig KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Lüdenscheid KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Mainz KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Mönchengladbach KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt München, Marienplatz KG	Saarbrücken

Asset Verwaltungs-GmbH & Co. Objekt München, Pelkovenstr. 155 KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Nürnberg, Königsstr. 42–52 KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Nürnberg, Roritzerstraße KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Offenbach KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Saarbrücken, Bahnhofstr. 82–92, 98–100 KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Siegburg KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Stuttgart, Königstr. 6 KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Stuttgart-Bad Cannstatt, Badstr., Marktstr. 3 KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Wetzlar KG	Saarbrücken
Asset Verwaltungs-GmbH & Co. Objekt Würzburg KG	Saarbrücken
Bassa Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
Batra Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
BAUGRU Immobilien-Beteiligungsgesellschaft mbH & Co. Grundstücksverwaltung KG	Saarbrücken
BLK Grundstücksverwaltung GmbH	Saarbrücken
Deutsche SB-Kauf GmbH & Co. KG	Saarbrücken
DORINA Immobilien-Vermietungsgesellschaft mbH	Cologne
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Munich
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Saarbrücken
Gewerbebau Flensburg GmbH & Co. Objekt Fachmarktzentrum KG	Flensburg
GKF Saar-Grund GbR	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. 22. Objekt-KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. 3. Objekt-KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. 6. Objekt-KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt-KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Grundstücksverwaltung KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Arrondierungsgrundstücke KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bielefeld KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bremerhaven-Pferdebade KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Castrop-Rauxel KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Entwicklungsgrundstücke KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Finowfurt KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Freiburg KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Haibach KG	Saarbrücken

GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Neuwiedenthal KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover / Davenstedter Straße KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Misburg KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Ricklingen KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Südstadt KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herne KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senkingstraße KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hillesheim KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Krefeld-Fischeln KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn "Südring Center" KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Prüm KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rinteln KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rüsselsheim KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saarbrücken Saarbasar KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Überlingen KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wesel KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt WEZ Dortmund KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wiesbaden-Nordenstadt KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Vermietungs- und Handels-KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft Objekt Nienburg mbH	Saarbrücken
Horten GmbH	Düsseldorf
Horten Verwaltungs GmbH	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Braunschweig KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Duisburg KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Düsseldorf Berliner Allee KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Düsseldorf Carschhaus KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Erlangen KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Giessen KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Hamburg KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Hamm KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Hannover KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Heidelberg KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Heilbronn KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Hildesheim KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Ingolstadt KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Kempten KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Moers KG	Saarbrücken

Horten Verwaltungs GmbH & Co. Objekt Münster KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Nürnberg KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Oldenburg KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Pforzheim KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Regensburg KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Reutlingen KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Schwäbisch Gmünd KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Schweinfurt KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Stuttgart KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Trier KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Ulm KG	Saarbrücken
Horten Verwaltungs GmbH & Co. Objekt Wiesbaden KG	Saarbrücken
Immopol GmbH & Co. KG	Pöcking
Kaufhalle AG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Aschaffenburg KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Bochum KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Brühl KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Cloppenburg KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Darmstadt KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Frechen KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Freising I KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Freising II KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Gelsenkirchen KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Hamburg-Wandsbek KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Köln II KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Köln III KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Lüdenscheid KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Nordhorn KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Passau KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Pirmasens KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Remscheid KG	Saarbrücken
Kaufhalle GmbH & Co. Objekt Siegen KG	Saarbrücken
Kaufhalle Immobilien Verwaltungs-GmbH	Saarbrücken
Kaufhof Warenhaus AG & Co. KG i.L.	Cologne
Kaufhof Warenhaus am Alex GmbH	Berlin
Kaufhof Warenhaus Neubrandenburg GmbH	Saarbrücken
MEM METRO Group Energy Production & Management GmbH[1]	Düsseldorf
MES METRO Group Energy Solutions GmbH	Böblingen
METRO Group Asset Management GmbH & Co. KG	Saarbrücken
METRO Group Asset Management Services GmbH	Saarbrücken
METRO Leasing GmbH	Saarbrücken
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG	Pöcking
NIGRA Verwaltung GmbH & Co. Objekt Detmold KG	Pöcking

NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG	Pöcking
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG	Pöcking
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG	Munich
NIGRA Verwaltung GmbH & Co. Objekt Moers KG	Munich
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Munich
NIGRA Verwaltung GmbH & Co. Objekt Oberhausen oHG	Munich
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG	Pöcking
NIGRA Verwaltung GmbH & Co. Objekt Salzgitter KG	Munich
PIL Grundstücksverwaltung GmbH	Saarbrücken
Renate Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
RUDU Verwaltungsgesellschaft mbH	Wuppertal
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG	Pöcking
Saalbau-Verein Ulm GmbH	Saarbrücken
Schaper Grundbesitzverwaltungsgesellschaft mbH	Saarbrücken
Secundus Grundstücksverwertungs-GmbH & Co. Objekt Stuttgart-Königstraße KG	Cologne
STW Grundstücksverwaltung GmbH	Saarbrücken
TANDOS Grundstücks-Verwaltungsgesellschaft mbH	Saarbrücken
Wal-Mart Germany Grundstücks-Gesellschaft mbH	Wuppertal
Wal-Mart Warenhandelsgesellschaft mbH & Co. Objekt Ratingen KG	Wuppertal
Wirichs Immobilien GmbH	Saarbrücken
Wirichs Verwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Saarbrücken
Wirichs Verwaltungsgesellschaft mbH & Co. Objekt Voerde und Kamen KG	Saarbrücken
Wolfgang Wirichs GmbH	Saarbrücken
ZARUS Verwaltung GmbH & Co. Dritte Vermietungs-oHG	Munich
ZARUS Verwaltung GmbH & Co. Objekt Braunschweig Berliner Straße KG	Munich
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG	Pöcking
ZARUS Verwaltung GmbH & Co. Objekt Osnabrück KG	Munich
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG	Pöcking
Zentra Beteiligungsgesellschaft mit beschränkter Haftung	Saarbrücken
Zentra-Grundstücksgesellschaft mbH	Saarbrücken

[1]The company utilizes the exemption option pursuant to § 264 Section 3 HGB only for the management report

50. Overview of major group companies

Name	Head Office	Stake in %	Sales[1] in € million
Holding companies			
METRO AG	Düsseldorf, Germany		–
METRO Kaufhaus und Fachmarkt Holding GmbH	Düsseldorf, Germany	100.00	–
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf, Germany	100.00	–
Cash & Carry			
METRO Cash & Carry International GmbH	Düsseldorf, Germany	100.00	–
METRO Cash & Carry International Holding GmbH	Vösendorf, Austria	100.00	–
METRO Großhandelsgesellschaft mbH	Düsseldorf, Germany	100.00	5,056
METRO Cash & Carry France S.A.S.	Nanterre, France	100.00	3,707
METRO Cash & Carry OOO	Moscow, Russia	100.00	2,031
METRO Italia Cash and Carry S. p. A.	San Donato Milanese, Italy	100.00	1,951
Makro Cash and Carry Polska SA	Warsaw, Poland	100.00	1,782
Makro Cash & Carry UK Holding Limited	Manchester, Great Britain	100.00	1,522
METRO CASH & CARRY ROMANIA SRL	Bukarest, Romania	85.00	1,430
Makro Autoservicio Mayorista S. A.	Madrid, Spain	100.00	1,373
METRO Distributie Nederland B. V.	Diemen, Netherlands	100.00	1,311
MAKRO Cash & Carry Belgium NV	Antwerpen, Belgium	100.00	1,273
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	100.00	1,193
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	90.00	803
METRO Cash & Carry Österreich GmbH	Vösendorf, Austria	73.00	770
Hypermarkets			
real,- SB-Warenhaus GmbH	Alzey, Germany	100.00	8,663
Consumer electronics centers			
Media-Saturn-Holding GmbH	Ingolstadt, Germany	75.41	7,658
Mediamarket S. p. A.	Curno, Italy	75.41	1,869
MEDIA MARKT SATURN, S.A.	Barcelona, Spain	75.41	1,455
Media Markt Saturn Holding Nederland B. V.	Rotterdam, Netherlands	75.41	810
Media-Saturn Beteiligungsges. m.b.H.	Vösendorf, Austria	75.41	807
Media Markt Polska Sp. z o.o.	Warsaw, Poland	75.41	764
Media Markt Management und Service AG	Geroldswill, Switzerland	75.41	559
Media Saturn France S.C.S.	Ris Orangis, France	75.41	431
MEDIA MARKT-SATURN BELGIUM N.V.	Brussels, Belgium	75.41	339
Department stores			
Kaufhof Warenhaus AG	Cologne, Germany	100.00	3,231
INNOVATION S.A.	Brussels, Belgium	100.00	298
Other companies			
Adler Modemärkte GmbH	Haibach, Germany	100.00	470
DINEA Gastronomie GmbH	Cologne, Germany	100.00	204
METRO Group Asset Management GmbH & Co. KG	Saarbrücken, Germany	49.00[2]	0
MGB METRO Group Buying GmbH	Düsseldorf, Germany	100.00	0
MIAG Commanditaire Vennootschap	Diemen, Netherlands	100.00	0
MGL METRO Group Logistics Warehousing GmbH & Co. KG	Sarstedt, Germany	100.00	0
MGI METRO Group Information Technology GmbH	Düsseldorf, Germany	100.00	0

[1]Including consolidated national subsidiaries
[2]METRO AG holds 75 percent of the voting rights.

51. CORPORATE BOARDS OF METRO AG AND THEIR MANDATES

Members of the Supervisory Board

Dr. Eckhard Cordes (Chairman)
since February 5, 2006, Chairman since February 20, 2006
Chairman of the Managing Board of
Franz Haniel & Cie. GmbH
a) Celesio AG (Chairman), since April 27, 2006
Deutsche Bahn AG, from July 1, 2006 to August 28, 2006
Rheinmetall Aktiengesellschaft
TAKKT AG, since May 31, 2006
b) FIEGE Holding Stiftung & Co. KG –
Advisory Board (Chairman), since February 5, 2006,
Chairman since April 3, 2006
Air Berlin PLC, London, Great Britain –
Board of Directors, since May 9, 2006
Aktiebolaget SKF, Gothenburg, Sweden –
Board of Directors, since April 25, 2006

Prof. Dr. Theo Siegert (Chairman)[1]
until February 4, 2006
former Chairman of the Managing Board of
Franz Haniel & Cie. GmbH
a) Celesio AG (Chairman)
ERGO Versicherungsgruppe AG
TAKKT AG
b) None

Dr. Wulf H. Bernotat
Chairman of the Board of Management of E.ON AG
a) Allianz SE (formerly Allianz AG)
Bertelsmann AG, since May 22, 2006
E.ON Energie AG (Chairman)
E.ON Ruhrgas AG (Chairman)
RAG AG (Chairman)
b) E.ON Nordic AB, Malmö, Sweden –
Board of Directors (Chairman)
E.ON Sverige AB, Malmö, Sweden –
Board of Directors (Chairman)
E.ON UK plc, Coventry, Great Britain –
Board of Directors (Chairman)
E.ON US Investments Corp., Delaware (OH), USA –
Board of Directors (Chairman)

Prof. Dr. Dr. h. c. Klaus Brockhoff
Honorary professor for business affairs at the Management University "Wissenschaftliche Hochschule für Unternehmensführung – Otto-Beisheim-Hochschule"
a) Steuler Industriewerke GmbH (Chairman)
b) Bucerius / WHU MLB gGmbH – Supervisory Board,
since October 30, 2006
Norddeutsche Private Equity GmbH – Advisory Board

Klaus Bruns (Vice Chairman)
Chairman of the Group Works Council of METRO AG
Chairman of the General Works Council of Kaufhof
Warenhaus AG
a) Tourismus & Marketing Oberhausen GmbH
b) None

Ulrich Dalibor
National Chairman of the Retail Section of the Ver.di union
a) Kaufhof Warenhaus AG
b) None

Prof. Dr. Dr. h.c. mult. Erich Greipl
CEO of Metro Vermögensverwaltung GmbH & Co. KG
a) Kaufhof Warenhaus AG
Metro Großhandelsgesellschaft mbH
Real Holding GmbH
b) BBE Unternehmensberatung GmbH – Board of Directors
Der Grüne Punkt – Duales System Deutschland GmbH
(formerly Duales System Deutschland AG) –
Supervisory Board (Chairman)
KGG Kreditgarantiegemeinschaft Handel in Bayern
GmbH – Board of Directors (Chairman)
Beisheim Holding Schweiz AG, Baar, Switzerland –
Board of Directors (President)

[1]The information on Prof. Dr. Siegert relates to the date of his resignation from the Supervisory Board
a) Member of other statutory supervisory boards of domestic companies
b) Member of comparable German and foreign boards of business enterprises

Jürgen Hennig
Department Head at Metro Großhandelsgesellschaft mbH
a) None
b) None

Anja Kiehne-Neuberg
Section Head of Personnel Development of Kaufhof Warenhaus AG
a) None
b) None

Werner Klockhaus
Vice Chairman of the Group Works Council of METRO AG
Vice Chairman of the General Works Council of Real SB-Warenhaus GmbH
a) None
b) None

Peter Küpfer
Business Consultant
a) None
b) Gebr. Schmidt GmbH & Co. KG – Advisory Board, since February 7, 2006
Bank Julius Bär & Co. AG, Zurich, Switzerland – Board of Directors (Vice President until April 12, 2006; since then ordinary member)
Brändle, Missura & Partner Informatik AG, Zurich, Switzerland – Board of Directors
Holcim Ltd., Jona, Switzerland – Board of Directors
Karl Steiner AG, Zurich, Switzerland – Board of Directors
Karl Steiner Holding AG (formerly PSW Holding AG), Zurich, Switzerland – Board of Directors (Vice President since July 3, 2006)
LB (Swiss) Privatbank AG, Zurich, Switzerland – Board of Directors
Peter Steiner Holding AG, Zurich, Switzerland – Board of Directors, since July 3, 2006
PILATUS Flugzeugwerke AG, Stans, Switzerland – Board of Directors (President), until June 27, 2006
UFJ Bank (Schweiz) AG, Zurich, Switzerland – Board of Directors, until April 19, 2006
Supra Holding AG, Baar, Switzerland – Board of Directors
Suprapart AG, Baar, Switzerland – Board of Directors
Valora Holding AG, Bern, Switzerland – Board of Directors

Rainer Kuschewski
Secretary of the National Executive Board of the Ver.di union
a) Real Holding GmbH
b) None

Dr. Klaus Mangold
Chairman of the German Committee on Eastern European Economic Relations
Chairman of the Supervisory Board of Rothschild GmbH
a) Drees & Sommer AG
Jenoptik AG
Leipziger Messe GmbH
Universitätsklinikum Freiburg (public corporation)
b) Rothschild GmbH – Supervisory Board (Chairman)
Chubb Corporation, Warren (NJ), USA – Board of Directors
Magna International Inc., Toronto, Canada – Board of Directors
Rothschild Europe B.V. – Raad van Commissarissen (Vice-Chairman)

Marianne Meister
Chairwoman of the General Works Council of Metro Großhandelsgesellschaft mbH
a) Metro Großhandelsgesellschaft mbH (Vice Chairwoman)
b) None

Dr. rer. pol. Klaus von Menges
Businessman and agronomist
a) DEG Deutsche Investitions- und Entwicklungsgesellschaft mbH
MAN Ferrostaal AG
b) None

a) Member of other statutory supervisory boards of domestic companies
b) Member of comparable German and foreign boards of business enterprises

Dr.-Ing. e. h. Bernd Pischetsrieder
former Chairman of the Board of Management of Volkswagen AG
a) Audi AG (Chairman), until December 31, 2006
Dresdner Bank AG
Münchener Rückversicherungs-Gesellschaft
b) Scania AB, Södertälje, Sweden – Board of Directors (Chairman)
SEAT S.A., Barcelona, Spain – Consejo de Administración, until December 31, 2006
Tetra-Laval Group, Pully, Switzerland – Board of Directors

Sylvia Raddatz
Commercial Clerk,
Extra Verbrauchermärkte Deutschland GmbH
a) None
b) Extra Verbrauchermärkte Management GmbH – Advisory Board (Vice Chairwoman)

Renate Rohde-Werner
Trained Retail Saleswoman, Kaufhof Warenhaus AG
a) None
b) None

Dr. jur. Hans-Jürgen Schinzler
Chairman of the Supervisory Board of Münchener Rückversicherungs-Gesellschaft
a) Deutsche Telekom AG, until May 31, 2006
Münchener Rückversicherungs-Gesellschaft (Chairman)
b) UnitCredit S.p.A., Milan, Italy – Board of Directors, since January 11, 2006

Dr. Manfred Schneider
Chairman of the Supervisory Board of Bayer AG
a) Allianz AG, until October 13, 2006
Bayer AG (Chairman)
DaimlerChrysler AG
Linde AG (Chairman)
RWE AG
TUI AG
b) None

Peter Stieger
since January 4, 2006
Chairman of the General Works Council of Real SB-Warenhaus GmbH
a) Real Holding GmbH (Vice Chairman)
b) None

Committees of the Supervisory Board and their mandates

Presidential Committee
Dr. Eckhard Cordes (Chairman), since February 20, 2006
Prof. Dr. Theo Siegert (Chairman), until February 4, 2006
Klaus Bruns (Vice Chairman)
Werner Klockhaus
Dr. Manfred Schneider

Personnel and Nominations Committee
Dr. Eckhard Cordes (Chairman), since February 20, 2006
Prof. Dr. Theo Siegert (Chairman), until February 4, 2006
Klaus Bruns (Vice Chairman)
Werner Klockhaus
Dr. Manfred Schneider

Accounting and Audit Committee
Dr. Eckhard Cordes (Chairman), from February 20, 2006 until March 14, 2006 and since May 2, 2006
Prof. Dr. Theo Siegert (Chairman), until February 4, 2006
Klaus Bruns (Vice Chairman)
Ulrich Dalibor
Prof. Dr. Dr. h. c. mult. Erich Greipl
Anja Kiehne-Neuberg
Dr. jur. Hans-Jürgen Schinzler

Mediation Committee pursuant to § 27 Section 3 MitbestG (German law on co-determination)
Dr. Eckhard Cordes (Chairman), since February 20, 2006
Prof. Dr. Theo Siegert (Chairman), until February 4, 2006
Klaus Bruns (Vice Chairman)
Prof. Dr. Dr. h. c. mult. Erich Greipl
Werner Klockhaus

a) Member of other statutory supervisory boards of domestic companies
b) Member of comparable German and foreign boards of business enterprises

Members of the Management Board

Dr. Hans-Joachim Körber (Chairman and CEO)
a) Bertelsmann AG
Kaufhof Warenhaus AG (Chairman)
Real Holding GmbH
b) Loyalty Partner GmbH – Supervisory Board, until January 24, 2006
LP Holding GmbH – Supervisory Board, since February 13, 2006
Air Berlin PLC, London, Great Britain – Board of Directors, since May 9, 2006
Skandinaviska Enskilda Banken AB, Stockholm, Sweden – Board of Directors

Prof. Stefan Feuerstein[1]
until July 31, 2006
a) Dinea Gastronomie GmbH (Chairman), until July 31, 2006
Real Holding GmbH (Chairman), until July 31, 2006
b) Extra Verbrauchermärkte Management GmbH – Advisory Board (Chairman), until July 31, 2006

Zygmunt Mierdorf
(Executive Vice President Human Resources)
a) Adler Modemärkte GmbH (Chairman)
Praktiker Bau- und Heimwerkermärkte AG
Praktiker Bau- und Heimwerkermärkte Holding AG
Real Holding GmbH (Chairman since August 15, 2006)
TÜV SÜD AG, since May 12, 2006
b) Extra Verbrauchermärkte Management GmbH – Advisory Board (Chairman), since August 1, 2006, Chairman since September 12, 2006
METRO Group Asset Management GmbH & Co. KG – Shareholders' Committee (Chairman)
MGP METRO Group Account Processing International AG, Baar, Switzerland – Board of Directors (President)
Wagner International AG, Altstätten, Switzerland – Board of Directors
Tertia Handelsbeteiligungsgesellschaft mbH – Supervisory Board (Chairman)

Frans W. H. Muller
since August 1, 2006
a) Dinea Gastronomie GmbH (Chairman), since August 1, 2006, Chairman since September 12, 2006
Real Holding GmbH, since August 1, 2006
b) Metro Distributie Nederland B.V. – Raad van Commissarissen

Thomas Unger
a) Praktiker Bau- und Heimwerkermärkte AG, until June 27, 2006
Praktiker Bau- und Heimwerkermärkte Holding AG, until June 27, 2006
Real Holding GmbH
b) Assevermag AG, Baar, Switzerland – Board of Directors (President)
Metro Capital B.V., Venlo, Netherlands – Raad van Commissarissen, until November 30, 2006
Metro Euro Finance B.V., Venlo, Netherlands – Raad van Commissarissen
Metro Finance B.V., Venlo, Netherlands – Raad van Commissarissen
Metro International AG, Baar, Switzerland – Board of Directors (President)
Metro International Finance B.V., Venlo, Netherlands – Raad van Commissarissen
Metro Reinsurance B.V., Amsterdam, Netherlands – Raad van Commissarissen

Düsseldorf, February 26, 2007

THE MANAGEMENT BOARD

Dr. Körber

Mierdorf

Muller

Unger

[1]The information on Prof. Feuerstein refer to the time of his departure from the Board of Management
a) Member of other statutory supervisory boards of domestic companies
b) Member of comparable German and foreign boards of business enterprises

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by METRO AG comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2006 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a Section 1 HGB [Handelsgesetzbuch "German Commercial Code"] and supplementary provisions of the shareholder agreement are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a Section 1 HGB and supplementary provisions of the shareholder agreement and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Cologne, February 27, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Siemes
Wirtschaftsprüfer (Auditor)

Dr. Böttcher
Wirtschaftsprüfer (Auditor)

05

CORPORATE GOVERNANCE REPORT

Knowing who does what: The Management Board and the Supervisory Board of the METRO Group are committed to transparent, responsible corporate leadership and management control.

ALWAYS ON COURSE: THE EUROPEAN ROWING BOAT

Pick up speed, step up the stroke rate, then stay on course with dynamism and aplomb – in all this, **team play** is the basic requirement for a group of master oarsmen. The European member states first had to learn how to row in the same direction. Today they put the **synergy** of their pooled forces to ever better use in ever wider domains.

CORPORATE GOVERNANCE REPORT

Pursuant to the recommendation of Subsection 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board of METRO AG deliver the following report on corporate governance at the METRO Group:

We attach great importance to good corporate governance standards. The Management Board and Supervisory Board of METRO AG are firmly committed to the principles of transparent, responsible corporate governance and supervision.

DIVISION OF DUTIES AND AREAS OF RESPONSIBILITY BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

A key component of corporate governance for German corporations is the clear division between corporate governance on the one hand and corporate supervision on the other. Duties and areas of responsibility are clearly divided between the Management Board and the Supervisory Board. The standards actively practiced within the METRO Group augment the fundamental structure that German stock corporation law specifies for this.

The Management Board of METRO AG has four members who are responsible for the following areas:

Dr. Hans-Joachim Körber (Chairman and CEO):	Investor Relations Corporate Communications Internal Audit Corporate Development Human Resources Development and Executive Staff Legal and Corporate Affairs Public Affairs
Zygmunt Mierdorf (Chief Information Officer, Executive Vice President Human Resources):	IT Human Resources Real estate E-business Environment Logistics (through December 31, 2006)
Frans W. H. Muller:	Procurement/Import Logistics (as of January 1, 2007) Advertising Gastronomy

Thomas Unger:	Corporate Finance Corporate Accounting and Balances Planning and Controlling Tax Department Insurance Del Credere/Collection

The Management Board is responsible for running METRO AG and the group. It sets the METRO Group's strategic direction, coordinates this with the Supervisory Board and ensures its implementation. The Management Board takes responsibility for establishing and developing effective organizational structures. Key cornerstones of corporate governance also include the planning and controlling systems that the Management Board implements in the company.

Pursuant to the German Codetermination Act, the METRO AG Supervisory Board is composed of 10 stockholder and 10 employee representatives.

Stockholder representatives	**Employee representatives**
Dr. Eckhard Cordes, Chairman	Klaus Bruns, Vice Chairman
Dr. Wulf H. Bernotat	Ulrich Dalibor
Prof. Dr. Dr. h.c. Klaus Brockhoff	Jürgen Hennig
Prof. Dr. Dr. h.c. mult. Erich Greipl	Anja Kiehne-Neuberg
Peter Küpfer	Werner Klockhaus
Dr. Klaus Mangold	Rainer Kuschewski
Dr. rer. pol. Klaus von Menges	Marianne Meister
Dr.-Ing. e. h. Bernd Pischetsrieder	Sylvia Raddatz
Dr. jur. Hans-Jürgen Schinzler	Renate Rohde-Werner
Dr. Manfred Schneider	Peter Stieger

The Management Board regularly provides the Supervisory Board with timely and detailed information on all fundamental matters concerning business development, strategy, corporate planning, earnings, profitability, risk and risk management in METRO AG and the group companies.

Additional information on the working relationship between Management Board and Supervisory Board can be found in the Report of the Supervisory Board

The Supervisory Board of METRO AG advises the Management Board and monitors its corporate management (including in terms of achieving long-term corporate and group objectives). The Supervisory Board is brought into the planning of the METRO Group's development by the Management Board to the same degree that it is included in decisions about important measures. Supervisory Board approval provisions for certain critical issues are specified in the Management Board by-laws and the Supervisory Board by-laws.

The Supervisory Board's report provides details about the working relationship between METRO AG's Management Board and Supervisory Board in fiscal year 2006.

Four committees support the Supervisory Board in its work, contributing greatly to the overall board's efficiency.

Supervisory Board Presidential Committee

When the chairman deems it necessary, the Presidential Committee is called on to prepare Supervisory Board meetings, paying particular attention to:

- evaluating METRO Group's operative strength, efficiency and potential in light of the strategy and planning submitted by the Management Board; and
- regularly reviewing the corporate governance principles and their application.

In addition, the Presidential Committee addresses

- resolutions when rapid determination is needed to avoid significant disadvantages and the Supervisory Board cannot initiate them;
- special issues the Supervisory Board assigns to the Presidential Committee through resolution.

The by-laws of the Supervisory Board of METRO AG call for the Supervisory Board chairman to head the Presidential Committee.

Personnel and Nominations Committee

The duties of the Personnel and Nominations Committee include personnel matters of the Management Board members, including succession planning, these primarily focusing on:

- concluding, amending and terminating employment contracts with the members of the Management Board as well as determining their remuneration;
- handling other legal transactions with Management Board members;
- making recommendations for the composition of the Supervisory Board.

The METRO AG Supervisory Board by-laws also call for the Supervisory Board chairman to chair the Personnel and Nominations Committee.

Accounting and Audit Committee

The Accounting and Audit Committee deals with issues concerning METRO AG and the METRO Group's accounting and auditing, including risk management.

According to METRO AG's corporate governance standards, the majority of the Accounting and Audit Committee should not be composed of members who are closely connected to the company.

The Accounting and Audit Committee is responsible for

- reporting and risk-management issues;
- matters pertaining to the impartiality required of the auditor, commissioning the audit assignment to the auditor, determining the audit's focus and stipulating fees;
- preparing the audit of the annual and consolidated financial statements by the Supervisory Board including the respective management reports based on the audit's results, the auditor's supplemental statements and the evaluation of the audit and dependency reports;
- discussing the quarterly financial statements and discussing partial audit results;
- preparing the report for the Supervisory Board for its discussion of the audit reports with the auditor as well as the impact on the development of the METRO Group;
- the discussion of the Management Board's report with regard to donations.

Committee members elected Dr. Cordes as chairman of the Accounting and Audit Committee.

Mediation Committee

The German Codetermination Act (1976) prescribes establishing a mediation committee. The Mediation Committee submits personnel proposals to the Supervisory Board when the two-thirds majority required for appointing and removing Management Board members has not been achieved.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The METRO AG Management and Supervisory Boards made the following declaration of compliance at the end of fiscal year 2006 pursuant to § 161 of the German Stock Corporation Act. This can be accessed by stockholders on the website www.metrogroup.de at any time.

"The recommendations of the Government Commission on the German Corporate Governance Code in its version of June 12, 2006 published by the Federal Ministry of Justice in the official part of the electronic Federal Bulletin are complied with.

Since the last Declaration of Compliance of December 2005, the recommendations made by the Government Commission on the German Corporate Governance Code in its applicable version have been complied with in full."

The declarations of compliance with the German Corporate Governance Code are available on the Internet at www.metrogroup.de in the section "Company/Corporate Governance"

Declarations of compliance from previous years can also be accessed at any time on the METRO Group website.

SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The statement of compliance issued by the METRO AG's Management Board and Supervisory Board, in accordance with the law's guidelines, is directed only to the recommendations of the German Corporate Governance Code. In addition to the recommendations, the code contains suggestions that a company can, but does not have to address.

METRO AG follows the vast majority of the German Corporate Governance Code suggestions. In the previous fiscal year, there were only three points that were followed or only partially followed:

1. Subsection 2.3.4 of the code calls for enabling stockholders to follow the annual general meeting through modern communication media such as the Internet. In fiscal year 2006, METRO AG carried only the speech by the chairman of the Management Board. Further proceedings from the annual general meeting were not broadcast over the Internet. This practice will be continued in fiscal year 2007. It conforms to the legal objective, under which the annual general meeting is a gathering that people attend in person. Stockholders exercise their rights at the annual general meeting, which requires the actual gathering of stockholders or their authorized representatives (proxy voters) at the meeting site. It is our strong belief that the physical presence of the Management Board, the Supervisory Board and stockholders supports the annual general meeting's central mission as the corporate decision-making body.

2. Subsection 3.6 of the code applies to codetermined supervisory boards. It calls for representatives of stockholders and employees to separately prepare Supervisory Board meetings and, if necessary, with members of the Management Board. Members of the METRO AG Supervisory Board hold such preparatory meetings together. However, this is done as needed and not before every Supervisory Board meeting.

3. Contrary to the Suggestion in Subsection 5.2 of the German Corporate Governance Code, the chairman of the Supervisory Board of METRO AG is also the chairman of the Supervisory Board Accounting and Audit Committee. Committee members elect the chairman of this panel. A key criterion for their decision is the candidate's knowledge and experience in applying accounting principles and internal control procedures in accordance with Subsection 5.3.2 of the German Corporate Governance Code. Members of the Accounting and Audit Committee strongly believe that Dr. Cordes fulfills the requirements for the committee chairmanship exceptionally well. He has proven expertise from his longtime responsible management positions at international companies, in particular as a member of the DaimlerChrysler AG Management Board. Furthermore, in the view of the Accounting and Audit Committee members, Dr. Cordes has the necessary independence from the company's management.

TRANSPARENCY AND SERVICE

Stockholders will find comprehensive information about the METRO Group on our website www.metrogroup.de

The website www.metrogroup.de, available in German and English, serves as an important information source for METRO AG stockholders, the capital market and the general public. Aside from a host of information on METRO Group operating units and sales divisions, the site contains METRO AG financial reports as well as ad-hoc and other notices pursuant to the German Securities Trading Act, among other things. Dates for the most important regular publications (trading statements, annual reports as well as quarterly and half-yearly reports, the annual business press conference, analysts' meeting and annual general meeting) appear on the website in a financial calendar at regular intervals in a timely fashion. In addition, stockholders and the interested reader can access documentation on the annual business press conference as well as the analysts' meeting and can subscribe to an electronic investor-relations newsletter.

THE ANNUAL GENERAL MEETING

METRO AG's annual general meeting gives its stockholders the opportunity to use their legal rights, that is, to exercise their right to vote as well as to address questions to the company's Management Board in particular.

To help stockholders exercise their individual rights at the annual general meeting, documents and information for each annual general meeting are made available ahead of time on the METRO Group's website. This information includes, in particular, the latest annual report and the annual general meeting's agenda. Upon request, the annual general meeting materials can be mailed or supplied electronically.

The registration and legitimization procedure for METRO AG's annual general meeting has been modified in accordance with revised regulations in the Stock Corporation Act and, thereby, to meet international standards. Each stockholder who would like to participate in a METRO AG annual general meeting and exercise his or her voting right there must register and supply proof of the right to participate and exercise voting rights. Written proof of stock ownership in German or English from the institution maintaining the securities deposit account satisfies this requirement. Deposit of stock is not necessary. Proof of stock ownership corresponds to the beginning of the 21st day before each annual general meeting. Like the registration for the annual general meeting, it must be submitted to METRO AG or other locations listed in the invitation no later than the seventh day before the annual general meeting. Concrete registration and participation conditions are made public in the invitation for each annual general meeting.

We also help our stockholders with proxy voting. In addition to voting-right authorizations to such institutions as banks or stockholders' associations, this service allows voting rights and instructions on how to exercise these voting rights at the annual general meeting to be passed to proxies appointed by METRO AG. This can be done on the Internet or in writing. METRO AG stockholders can exercise their voting rights in this manner without having to attend the annual general meeting in person.

METRO AG proxies are also available for assignment of voting rights during the annual general meeting for those stockholders who initially participate in an annual general meeting but who want to leave early without forgoing the exercise of their voting rights.

In the interest of our stockholders, the chairman of the annual general meeting, as a rule the chairman of the Supervisory Board, works to ensure that the annual general meeting is conducted efficiently and effectively. In line with the German Corporate Governance Code, the objective is to complete a standard METRO AG annual general meeting after four to six hours at the latest.

DIRECTORS' DEALINGS AND STOCK OWNERSHIP OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

Pursuant to § 15 a of the German Securities Trading Act, persons in management functions at METRO AG must notify METRO AG of any of their own trading of METRO AG stock or related financial instruments, in particular derivatives. This requirement also applies to those who have a close relationship with such a person. The information requirement does not apply as long as the total value of transactions performed by a person in a management function and those in a close relationship with this person does not exceed the amount of €5,000 through the end of the calendar year.

During the past fiscal year, METRO AG was informed only of one transaction pursuant to § 15 a of the German Securities Trading Act:

Day of trade, stock-exchange center:	January 16, 2006, XETRA	
Name, position:	Dr. Manfred Schneider, Member of the Supervisory Board of METRO AG	
Financial instruments, ISIN:	Metro stock, DE 000 725 750 3	
Type of transaction:	Sale	
Price per share/currency:	€40.31	€40.30 (sale in two batches)
Quantity:	487	1,513
Volume:	€19,630.97	€60,973.90

Ownership of METRO AG stock or related financial instruments by members of the Management or Supervisory Boards is disclosed when it directly or indirectly exceeds 1 percent of the stock issued by METRO AG. If the total stock ownership of all members of the Management and Supervisory Boards exceeds 1 percent of the stock issued by the company, the total ownership is stated separately for the Management Board and the Supervisory Board. The threshold values of 1 percent were not reached in fiscal year 2006.

RISK MANAGEMENT: A CORE ELEMENT OF CORPORATE GOVERNANCE AT THE METRO GROUP

The METRO Group is a high-growth company to which an international market presents many opportunities. Sustainable growth, however, is possible only when those responsible recognize and adequately consider both the opportunities as well as the risks of entrepreneurial activities. This is why effective risk management is a key component of responsible corporate management at the METRO Group.

Besides the Management Board, the group audit department monitors the efficiency of the METRO Group's risk-management system, and recurrently conducts regular and special audits within the group. It reports directly to the chairman of the Management Board.

Management and Supervisory Boards of METRO AG regularly discuss the risk-management system and its ongoing development.

ACCOUNTS AUDIT

At the annual general meeting of METRO AG on May 18, 2006, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main, (KPMG) was elected to be the auditor for fiscal year 2006. The Supervisory Board, drawing on the work of its Accounting and Audit Committee had prepared, awarded the contract to carry out the accounts audit in October 2006.

In assigning the audit, it was agreed on with the auditor that the chairman of the Supervisory Board would be immediately notified of any potential disqualification and bias reasons emerging in the course of the audit unless these were promptly eliminated. It was also agreed that the auditor would immediately report any findings and events material to the functions of the Supervisory Board that might arise in connection with the accounts audit. Finally, the accounts auditor was instructed, in accordance with the instructions of the Supervisory Board, to inform the Board and/or include a note in the auditor's report if facts were found in the course of the accounts audit indicating a deviation from the Management and Supervisory Boards' statement of compliance with the German Corporate Governance Code.

These precautionary agreements with the auditor have no practical relevance to fiscal year 2006. Throughout the audit, KPMG made no reports to the Supervisory Board about any disqualification and bias reasons. There was also no evidence that any existed. Furthermore, in the course of the accounts audit, there were no unexpected, substantial findings and events concerning Supervisory Board functions. As a result, an extraordinary report from the auditor to the Supervisory Board was not required. The auditor found no deviations from the Management and Supervisory Boards' statement of compliance with the German Corporate Governance Code.

IMPLEMENTATION AND APPLICATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE

The METRO AG Management and Supervisory Boards discuss at least once a year – most recently during the Supervisory Board meeting in December 2006 – the corporate governance practiced within the METRO Group. The starting point of these discussions is implementing the German Corporate Governance Code recommendations. In addition, a METRO AG corporate governance officer supervises the company's corporate-governance practices. No deviations from the German Corporate Governance Code recommendations were found for fiscal year 2006.

Continuing to develop METRO AG corporate governance standards will also be a focal point of the Management and Supervisory Boards activity in fiscal year 2007. The effort will be directed, in particular, at incorporating the numerous METRO Group compliance rules and initiatives into a group-wide, uniform compliance program.

REMUNERATION REPORT 2006

The Remuneration Report for 2006 that the Management and Supervisory Boards are required to issue as part of the Corporate Governance Report can be found in chapter X of the group management report. The Supervisory Board thoroughly reviewed the Remuneration Report and approved the comments. It does not appear here in order to avoid repeating the same information.

The remuneration report can be found in chapter X of the Group Management Report

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In-depth information on the topic of corporate governance in the METRO Group can be found on the website www.metrogroup.de under the heading "Company"

SUPPLEMENTARY INFORMATION

FINANCIAL SCHEDULE

Annual business press conference/ analysts' meeting	March 21, 2007
Quarterly financial report Q1	May 3, 2007
Annual general meeting	May 23, 2007
Half-year financial report H1/Q2	August 2007
Quarterly financial report Q3	October 30, 2007

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THE METRO GROUP IN FIGURES[1]

		2006 € million	2005 € million	2004[2] € million	2003 € million	2002 € million	2001 € million	2000 € million
Key financial figures								
Sales (net)		59,882	55,722	53,475	53,595	51,526	49,522	46,930
EBITDA		3,233	2,938	2,844	2,615	2,416	2,383	2,183
EBIT[3]		1,983	1,738	1,723	1,590	1,427	1,378	1,273
EBIT margin[3]	%	3.3	3.1	3.2	3.0	2.8	2.8	2.7
Earnings before taxes		1,534	1,358	1,260	817	830	673	754
Net profit for the period[4]		1,193	649	927	571	502	449	423
thereof from continuing operations		1,050	618	858	571	502	449	423
thereof allocable to stockholders of METRO AG[4]		1,056	531	828	496	443	401	359
Investments		3,020	2,138	1,744	1,837	1,836	1,933	1,885
Total assets[4]		32,148	28,767	28,352	26,580	22,923	22,320	22,333
Equity		6,047	5,313	4,849	4,349	4,246	4,242	4,146
Equity ratio	%	18.8	18.5	17.1	16.4	18.5	19.0	18.6
Return on equity after taxes[5]	%	19.7	12.2	19.1	19.4	18.0	16.4	16.2
Earnings per share[4, 6]	€	3.23	1.63	2.53	2.35	2.15	1.99	1.86
thereof from continuing operations	€	2.79	1.54	2.32	2.35	2.15	1.99	1.86
thereof from discontinued operations	€	0.44	0.09	0.21	–	–	–	–
Distribution								
Dividend per share of common stock	€	1.12[7]	1.02	1.02	1.02	1.02	1.02	1.02
Dividend per share of preferred stock	€	1.232[7]	1.122	1.122	1.122	1.122	1.122	1.122
Dividend yield based on closing price for the year – common stock	%	2.3[7]	2.5	2.5	2.9	4.5	2.6	2.0
Dividend yield based on closing price for the year – preferred stock	%	2.6[7]	2.1	2.2	2.3	3.3	2.5	4.6
Operating data								
Employees (annual average by headcount)		263,794	246,875	231,841	242,010	235,283	230,848	225,215
Number of locations		2,378	2,171	2,110	2,370	2,310	2,249	2,169
Selling space (1,000 m²)		11,924	10,518	9,941	11,436	10,939	10,519	9,977

[1] Beginning in 2004, only continuing operations; no adjustment of amounts for 2000 through 2003
[2] Adjustment due to the application of new accounting methods
[3] EBITA through 2003
[4] Including discontinued operations
[5] Through 2003 before goodwill amortization
[6] After minority interests
[7] Subject to approval by the annual general meeting

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