

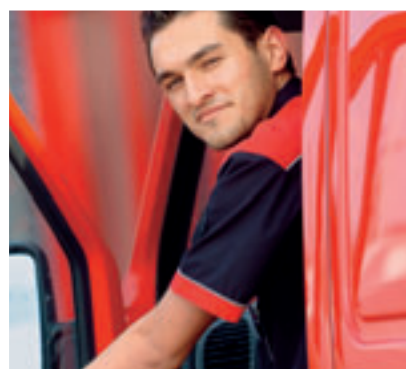
METRO Group

The Spirit of Commerce



ANNUAL REPORT 2007

Consolidated Financial Statements of METRO Group



RETAILING - IT'S ABOUT PEOPLE

GOALS 2007

- >> **SALES** In the financial year 2007, we originally expected sales growth of 8 to 9 percent including the acquisitions of Wal-Mart Germany and the Polish Géant business. At the end of October, we raised our sales forecast to more than 9 percent.
- >> **EBIT** We projected an increase in EBIT of 6 to 8 percent based on EBIT adjusted for the effects of Real's repositioning including the acquisitions of Wal-Mart Germany and Géant in Poland.
- >> **INVESTMENTS** Investments in the existing sales network including the conversion of Wal-Mart stores into Real as well as organic expansion were scheduled to amount to about €2.5 billion in 2007.
- >> **NEW STORE OPENINGS** In 2007, we published the following medium-term forecast for the average number of new store openings per year:
Metro Cash & Carry:
about 40 openings/year;
Real:
about 15 openings/year;
Media Markt and Saturn:
about 70 openings/year.

RESULTS 2007

- >> METRO Group boosted its sales adjusted for Extra and including the Wal-Mart/Géant transactions by 10.4 percent to €64.3 billion. Including Extra, the sales increase stood at 10.0 percent.
- >> Group EBIT adjusted for the divestment of Extra reached €2,098 million, exceeding the comparable previous year's level by 8.8 percent. Including Extra, EBIT increased by 8.0 percent from the comparable previous year's level.
- >> Investments in existing concepts including the conversion of the Wal-Mart stores and organic growth rose by €0.2 billion to €2.2 billion.
- >> In 2007, the sales brands of METRO Group opened 133 new locations – 32 Metro Cash & Carry stores, 16 Real hypermarkets, 84 Media Markt and Saturn consumer electronic centres and one Galeria Kaufhof department store.

GOALS 2008

- >> In the context of our strategy of profitable growth, we project sales growth of more than 6 percent for METRO Group during the current financial year 2008 as well as over the medium term.
- >> EBIT before special items is expected to increase disproportionately to sales.
- >> Our investments are expected to match the previous year's level and will be focused primarily on our continued international expansion.
- >> In 2008, we continue to expect an average of 40 new store openings at Metro Cash & Carry, 15 at Real and more than 70 at Media Markt and Saturn over the next few years.

PROFILE OF METRO GROUP

METRO Group is one of the world's largest and most international retailing companies. Around 280,000 employees from more than 150 nations work at 2,221 locations in 31 countries in Europe, Asia and Africa. Our sales brands prove their trading skills every single day.

The sales brands at a glance



Sales	€31.7 billion
EBIT	€1,243 million
Number of stores	615
Total selling space	4.9 million m ²
Employees*	103,915

*Annual average of full-time equivalent

Metro Cash & Carry is the world's market leader in cash & carry. Under the brands of Metro and Makro, our biggest and most international sales division does business in 29 countries. Its assortment is aimed exclusively at commercial and wholesale customers.



Sales	€11.0 billion
EBIT	€-16 million
Number of stores	434
Total selling space	3.1 million m ²
Employees*	54,734

*Annual average of full-time equivalent

Real is the market leader for hypermarkets in Germany and Poland. With chain stores in Germany, Poland, Romania, Russia and Turkey, Real employs a large-scale hypermarket concept.



Sales	€17.1 billion
EBIT	€614 million
Number of stores	702
Total selling space	2.2 million m ²
Employees*	49,046

*Annual average of full-time equivalent

Europe's No. 1 in consumer electronics centres: the sales brands of **Media Markt** and **Saturn** succeed with innovative, powerful and large-scale sales and marketing concepts. For years, both have been generating dynamic growth and rigorously extending their leadership across Europe.



Sales	€3.6 billion
EBIT	€107 million
Number of stores	141
Total selling space	1.5 million m ²
Employees*	18,820

*Annual average of full-time equivalent

Galeria Kaufhof is the concept and system leader in Germany's department store segment and the market leader in Belgium. The sales division's department stores enrich shopping areas and downtown centre with a high-quality assortment – emotionally presented.

METRO Group in figures¹

Key financial figures	2007 € million	2006 ² € million	2005 € million
Sales (net)	64,337	58,279	55,722
Metro Cash & Carry	31,698	29,907	28,087
Real	11,003	8,775	9,922
Media Markt and Saturn	17,122	15,156	13,306
Galeria Kaufhof	3,556	3,609	3,575
Other companies	958	832	832
EBITDA	3,381	3,162 ³	2,938
EBIT	2,098	1,928 ³	1,738
Metro Cash & Carry	1,243	1,111	1,013
Real	(16)	19 ³	(12)
Media Markt and Saturn	614	587	510
Galeria Kaufhof	107	82	69
Other companies/consolidation	150	129 ³	158
Financial result	(519)	(444)	(380)
Earnings before taxes	1,579	1,564	1,358
Net profit for the period ⁴	983	1,196	649
thereof from continuing operations	1,011	1,079	618
thereof allocable to shareholders of METRO AG ⁴	825	1,059	531
Investments	2,162	3,011	2,138
Total assets ⁴	33,872	32,190	28,767
Equity	6,509	6,050	5,313
Equity ratio	%	18.8	18.5
Return on equity after taxes	%	19.8	12.2
Earnings per share ^{4,5}	€	3.24	1.63
thereof from continuing operations	€	2.88	1.54
thereof from discontinued operations	€	0.36	0.09
Earnings per share from continuing operations before special items ^{5,6}	€	2.72	2.47
Dividend per ordinary share	€	1.12	1.02
Dividend per preference share	€	1.232	1.122
Market capitalisation as of 31 December	€ billion	15.8	13.4
Operating data			
Employees (annual average by headcount)	281,455	253,117	246,875
Number of locations	2,221	2,119	2,171
Selling space (1,000 m ²)	12,094	11,481	10,518

¹Continuing operations only [discontinued operations: Praktiker in 2005, Praktiker and Extra in 2006, Extra in 2007]

²Adjustment of prior-year amounts due to preliminary accounting for business combinations in 2006

³In 2006 adjusted for the effects from the repositioning of Real, including the acquisition of the Wal-Mart Germany group and the Polish Géant business;

€80 million was adjusted in EBIT/EBITDA, of which Real accounted for €51 million and other companies for €29 million

⁴Including discontinued operations

⁵After minorities

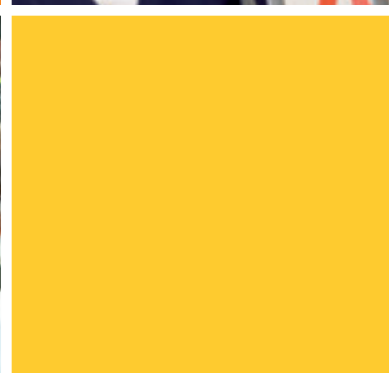
⁶In 2005 before write-downs on deferred taxes on loss carry-forwards at Real Germany; in 2006 adjusted for the effects of the repositioning of Real, including the acquisitions of the Wal-Mart Germany group and the Polish Géant business; in 2007 adjusted for special tax effects

⁷Subject to approval by the Annual General Meeting

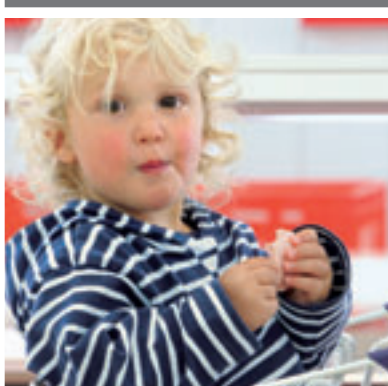
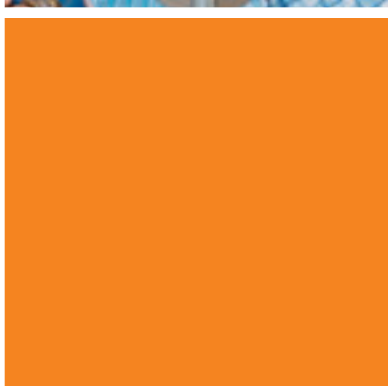
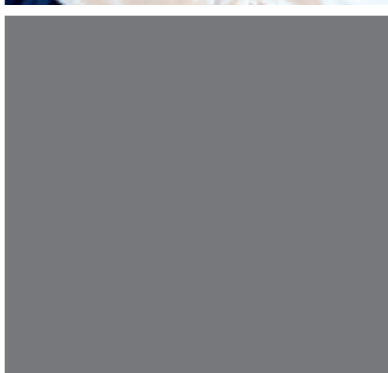


BUILT TO PERFORM

METRO Group connects markets and people – every day, millions of times, all over the world. Today's customers place a diverse array of demands on retailers: along with an extensive range of high-quality products at attractive prices, they expect maximum service and individual attention. The sales brands of METRO Group – Metro/Makro Cash & Carry, Real, Media Markt and Saturn, Galeria Kaufhof – have established themselves in the marketplace as high-performance brands. They continuously refine and develop their sales concepts, ensuring a solid basis for business success. Both today and in the future.

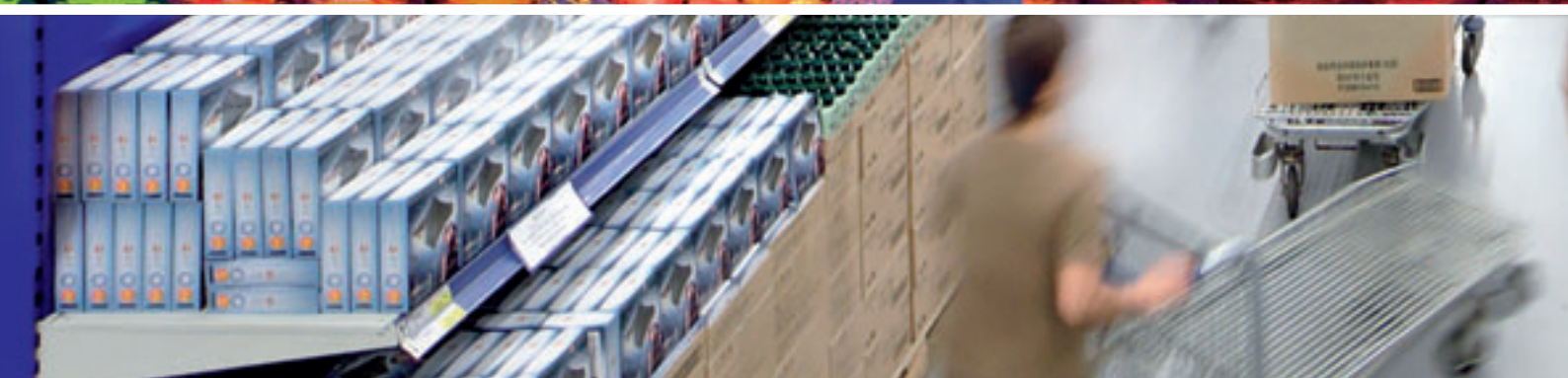






OPEN TO THE WORLD

People are the driving force behind commerce: the success of METRO Group is built on the dedication of around 280,000 staff members from over 150 nations. Every day anew, they fulfil customers' wishes – with sound knowledge, love of their work and a deep understanding of consumers' needs. And the goods on offer are even more internationally diverse than the workforce, from fish caught in Vietnam and coffee from Kenya to Italian fashions and Argentinean tango music. With its staff and goods from all over the world, METRO Group promotes tolerance, openness and understanding beyond national boundaries.





PROFESSIONAL

To be a strong partner for businesspeople – this sums up the idea behind Metro/Makro Cash & Carry. Consistent customer orientation, a high level of expertise in product ranges and competitive wholesale prices have formed the profile of the world's leading self-service wholesaler for more than 40 years. Whether in Barcelona, Berlin or Beijing, its more than 600 wholesale outlets in 29 countries are the first choice for over 20 million commercial customers. With a sales concept that can be adapted flexibly to diverse regional and market demands, Metro/Makro Cash & Carry is on a dynamic international success course.



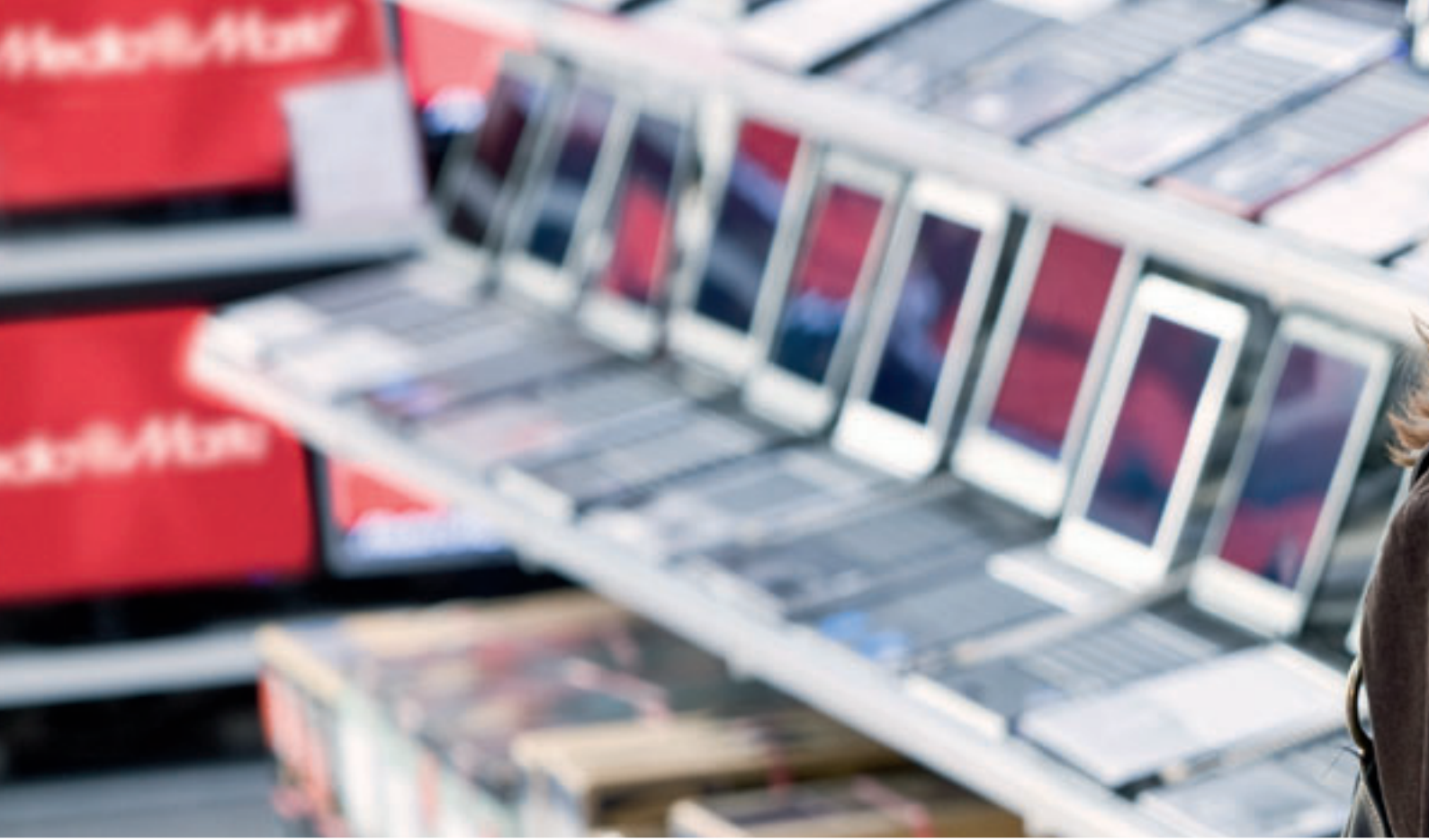




MULTIFACETED

More than 400 varieties of fruit and vegetables, fragrant herbs and flowers: shopping at Real is almost like a visit to a farmer's market. A broad range of up to 80,000 different items, excellent value for money and a clear focus on quality and freshness are the hallmark of Metro sales brand profile. Every day, approximately two million customers shop at Real hypermarkets in Germany, Poland, Romania, Russia and Turkey. Clearly structured product presentations help consumers to orientate themselves without effort. Customers find exactly what they are looking for quickly and easily – and during especially convenient opening hours.



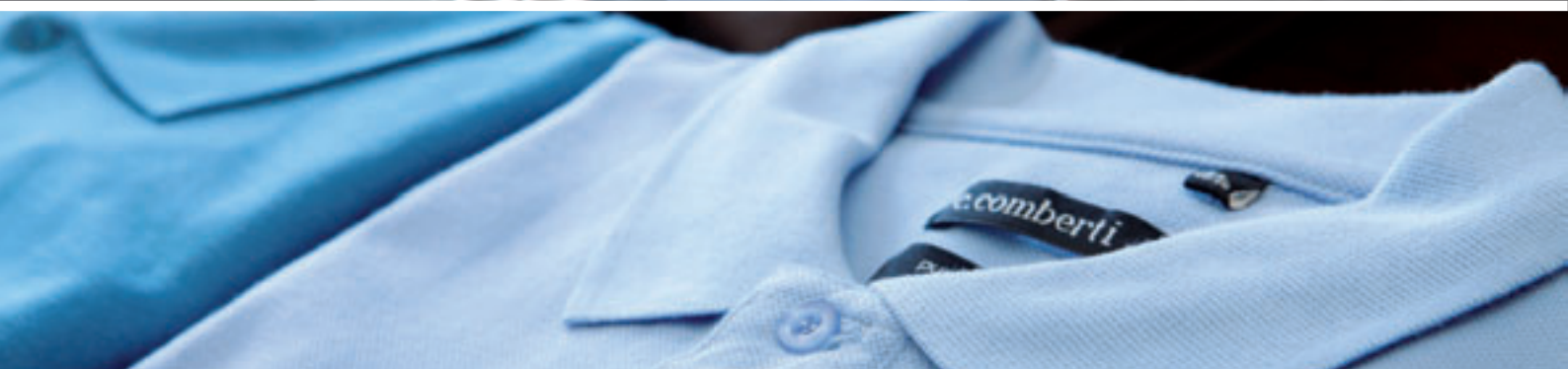




TREND-SETTING

Always in step with the times and customer-oriented – these qualities are the basis of the success of Media Markt and Saturn. The consumer electronics and electrical appliance specialists are equipped with an unerring instinct for technological trends and innovations. With a product range unequalled in the sector, individual consulting, outstanding value for money and advertising campaigns that turn heads, both these retail brands are the first choice for technology enthusiasts at more than 700 locations. Consistent customer orientation pays off: Media Markt and Saturn are the unchallenged market leaders in European consumer electronics retailing.







PIONEERING

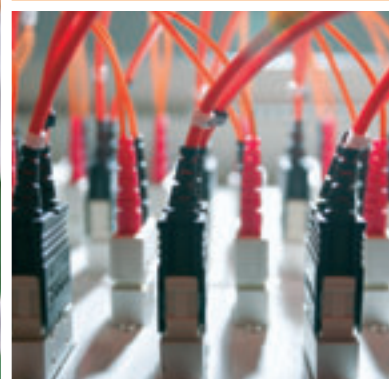
Customers' demands in terms of service, quality and shopping experience are continuously increasing. With its appealing 'worlds' of thematically grouped goods, excellent merchandise quality and innovative technologies, Galeria Kaufhof lives up to these expectations. A prime example is the deployment of Radio Frequency Identification (RFID) in the menswear department of Galeria Kaufhof in Essen. There, Smart Changing Rooms, Smart Shelves and Smart Mirrors create an entirely new shopping experience. Thanks to RFID, the customer receives extensive information on the selected garments as well as suggestions for matching accessories.





EFFICIENT

Buying, logistics, information technology, advertising, real estate management – these core functions are as important for a company's success as its operational business. That's why METRO Group pools such activities in cross-divisional service companies, headed by MGS METRO Group Solutions GmbH. The Group-wide organisations serve all sales brands as powerful tools in generating synergies and reducing costs. And the sales brands profit from their efficient business solutions every day, for example by taking advantage of special terms in buying or establishing cross-divisional quality standards.



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Dear Shareholders,



2007 was another successful year for METRO Group. Sales rose by more than 10 percent, exceeding €64 billion. With this strong growth, METRO Group clearly showed that the company lost none of its dynamism in the 11th year after going public.

Last year, the Group opened 133 large-scale stores with a total selling space of more than 650,000 square metres. Every day, millions of customers in more than 2,200 stores in 31 countries place their trust in us. To ensure that this remains the case, over 280,000 employees, including about 155,000 outside Germany, give their very best each and every day. During the past year, our fast-growing sales brands Metro Cash & Carry as well as Media Markt

and Saturn developed especially well once again. Both sales divisions belong to the most high-profile and profitable international sales formats and are leaders in their respective markets. The combined sales of both formats increased by more than €3.7 billion, contributing substantially to the growth of METRO Group. Galeria Kaufhof, the concept leader in the German department store segment, progressed against the background of Germany's increased value-added tax and the challenging retail market segment, and even generated slightly higher gross sales than a year earlier. Sales at Real, the market leader in the German and Polish hypermarket segment, climbed by more than 25 percent thanks to acquisitions and accelerated expansion abroad.

“2007 was another successful year for METRO Group. Sales rose by more than 10 percent, exceeding €64 billion. With this strong growth, METRO Group clearly showed that the company lost none of its dynamism in the 11th year after going public.”

Dr. Eckhard Cordes

From a regional perspective, we continued to significantly extend our international presence. Of last year's 133 store openings, 115 took place outside Germany. International sales rose by 13.6 percent. At 59.1 percent, the foreign share of total sales marked a record. With the market entry into Pakistan, Metro Cash & Carry, our most international sales format, opened up its 29th country. Media Markt has opened its first stores in Turkey. The success on international markets continues to underscore the strength of METRO Group. We are by far the world's most international retailing group. We have the right people and sales formats to press ahead with our successful and profitable growth on an international level. We will continue to build on these strengths in the future.

We were also able to post higher earnings. Operative earnings (EBIT) rose to a record €2.1 billion, up 8.8 percent from the previous year's level adjusted for special items. This means we have reached our sales and earnings goals as well as reaffirmed the reliability and continuity of METRO Group. We want you, our shareholders, to participate in this successful year. For this reason, I am pleased to announce that the Management and Supervisory Boards have decided to propose a 5.4 percent higher dividend of €1.18 per ordinary share to you at the Annual General Meeting.

The capital markets have also recognised METRO Group's business achievements. With a price rise of 18.9 percent, Metro shares ranked amongst the top ten DAX 30 companies in 2007. Compared to the Dow Jones Euro Stoxx Retail Index, the relevant sector index for European retail shares, METRO Group was a true outperformer, finishing among the top European retail shares.

2007, however, was not just a year of continuity and reliability at METRO Group. It was also one of change. Two of the principle shareholders reaffirmed their great trust in the company's future by raising their holdings. As a result, METRO Group, now more than ever, has a shareholder structure that guarantees long-term stability and therefore the optimal conditions for its future success. On 1 November 2007, I became Chairman of the Management Board. Together, we, the members of the Management Board, want to continue to advance our company, to make it more successful and, above all, more profitable. All of us believe that METRO Group still has great potential. The internationality and the unique concepts of the Metro Cash & Carry and Media Markt and Saturn sales divisions are valuable assets that we must continue to develop and advance.

Meanwhile, action still needs to be taken in order to fully implement a value-creating strategy in the department store segment and, even more so, in the food retail business. In the future, we will tackle our weaknesses more rigorously, without any taboos or thought restrictions. Our goal is to ensure that each sales division can defend its competitive market position and continually create value by drawing on its own strength. As for the Management Board of METRO Group, our task is to create the necessary conditions and structures for this. Initial steps towards a successful repositioning have already been taken – as the recent divestment of the Extra supermarkets shows.

Dear Shareholders, METRO Group is one of the world's most important retailing groups. Our ambition is to also become one of the most profitable companies. To achieve this, we need, beside our employees' skills and commitment, your support. I would like to thank all of our employees for their dedication during the past financial year and you, our shareholders, for the trust you have put in us. I hope that you will continue to accompany us in future and that, together with you, we can realise the potential of METRO Group.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Eckhard Cordes'.

Dr. Eckhard Cordes
Chairman of the Management Board
Chief Executive Officer



The Management Board of METRO AG
Frans W. H. Muller, Thomas Unger,
Dr. Eckhard Cordes, Zygmunt Mierdorf
(from left to right)

TO THE SHAREHOLDERS

01

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16 METRO SHARES

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

METRO Group¹ has completed another successful business year. Compared with the previous year, Group sales rose by 10.4 percent to €64.3 billion in 2007, excluding the Extra supermarkets. The foreign share of sales reached 59.1 percent.

The sustained growth of METRO Group and its notable successes in the international trade and retail business confirm that the company has set the correct course. Reaching the company's goals continues to require the personal commitment of each individual within METRO Group. After all, people make retail and trade move. This is why the Supervisory Board of METRO AG would like to especially thank the company's more than 280,000 employees from 150 nations for their dedication and hard 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 METRO Group during financial year 2007, and constantly supervised the management. The Supervisory Board was involved in all decisions that were of material importance to METRO AG or METRO Group.

The work of the Supervisory Board was based on the oral and written reports pursuant to § 90 of the German Stock Corporation Act, which the Management Board gave 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 METRO Group. The reports covered in particular proposed business policies and fundamental questions about company planning and strategic development. Other report topics were profitability, current business developments, including the position of METRO Group, risk management and compliance, operations of material importance for the profitability and liquidity of METRO Group, as well as 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 in detail by the Management Board.

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 Management Board as a subject for authorisation. These matters included divestments of real estate and an investment plan as well as amendments to

¹METRO Group including METRO AG

the by-laws of the Management Board. The Supervisory Board also endorsed the Group's annual budget for the financial year 2008 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.

The chairmen of the Supervisory Board who held office during the reporting period were in regular contact with the respective chief executive officer. The chairmen of the Supervisory Board were kept abreast of important business developments and pending decisions by the chief executive officers during regular face-to-face meetings.

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 RESOLUTIONS OF THE SUPERVISORY BOARD

In financial year 2007, the Supervisory Board met six times, including four regularly scheduled meetings and two extraordinary meetings. No member of the Supervisory Board attended fewer than half of the meetings. The Supervisory Board made one decision in a written procedure.

During each regular meeting, the Supervisory Board thoroughly discussed the current business development of METRO Group. In addition, the Chairman of the Supervisory Board gave a report about the contents and results of earlier committee meetings. Special focal topics in the financial year 2007 included the potential effects of a change in the shareholder structure of METRO AG as well as personnel issues concerning the Management Board.

March 2007 – The focus of the Supervisory Board's meeting in March 2007 was the annual financial statements of METRO AG and the consolidated financial statements for the financial year 2006, the management report of METRO AG for 2006, the Group's management report for 2006, the Management Board's proposal on the appropriation of the balance sheet profit to the Annual General Meeting 2007, as well as the report of the Management Board about relations with associated companies in 2006. The auditors attended this meeting and gave a report about the key findings of their review. Other items on the agenda of the March meeting were preparations for the Annual General Meeting 2007, including the Supervisory Board's report to the Annual General Meeting, and the Corporate Governance Report. In addition, the Supervisory Board decided, at the suggestion of the Management Board, to subject the half-year report 2007 for METRO Group and the half-year reports of subsequent years to an audit review. Subject to the election of the auditors by the Annual General Meeting in 2007, the audit assignments for the annual financial statements and the consolidated financial statements for 2007 as well as the Group's half-year report 2007 were also adopted during the March meeting. In addition, the Supervisory Board endorsed the sale of a real estate portfolio.

May 2007 – In May 2007, the Supervisory Board convened immediately before the Annual General Meeting. In this meeting, the Management Board also gave a report about current business developments. In addition, the Supervisory Board approved the Management Board's proposal to revoke the Corporate Governance Code of METRO AG introduced in 2002. Its contents largely matched the recommendations of the German Corporate Governance Code, which are already addressed in the annual declaration of compliance pursuant to § 161 of the German Stock Corporation Act. In addition, the Management and Supervisory Boards of METRO AG provide a report about corporate governance practices at METRO Group in each annual report. There was no additional practical need for a company-specific Corporate Governance Code.

July 2007 – In July 2007, the Supervisory Board approved the construction of a logistics centre in the Moscow region by way of written procedure. In addition, a Supervisory Board meeting was held. The key item on the agenda was the completion of the Accounting and Audit Committee following the departure of one Supervisory Board member. The Supervisory Board also solicited a report on executive development at METRO Group and conducted an efficiency test pursuant to Subsection 5.6 of the German Corporate Governance Code.

September 2007 – An extraordinary meeting of the Supervisory Board was held in September 2007 on the occasion of Dr. Körber's request to be released from his duties as chairman of the Management Board following a change in the shareholder structure.

The Supervisory Board complied with Dr. Körber's request and amicably terminated his appointment to the Management Board as of 31 October 2007. Following the change in the shareholder structure and the associated speculation regarding a possible strategic shift, the Supervisory Board also saw the need to clarify the management situation at METRO Group as quickly as possible. During the same meeting, Dr. Cordes – at the time Chairman of the Supervisory Board of METRO AG – was appointed to the Management Board and to the position of Chairman of the Management Board as of 1 November 2007. The allocation of responsibilities among Management Board members was adjusted accordingly.

In this context, the Supervisory Board thoroughly examined the activities of Dr. Cordes as Chairman of the Management Board of Franz Haniel & Cie. GmbH. The Supervisory Board concluded that the continued exercise of this office could be reconciled with the high demands placed on the Chairman of the Management Board of METRO AG and would not run counter to the company's interests. Dr. Cordes' pledge to resign from other hitherto exercised offices – e.g., on the supervisory boards of listed companies – was a key condition for this move.

November 2007 – Following the appointment of Dr. Cordes to the Management Board of METRO AG, the office of Supervisory Board Chairman that he had held became vacant. In an extraordinary meeting at the beginning of November 2007, the Supervisory Board elected Franz M. Haniel as its new Chairman.

December 2007 – In December 2007, the Supervisory Board after thorough discussion adopted the annual Group budget for the financial year 2008 submitted by the Management Board. It includes the company's sales, earnings, investments and financial planning. In the process, personnel and location planning as well as the goals for the 2008 financial year were also discussed. In a separate point, the Management Board reported on its review of strategic options for the Extra sales brand. The Supervisory Board in December 2007 also approved the sale of suitable real estate properties and discussed the risk management system. Corporate governance at METRO Group represented another focal point of this meeting. A separate Nominations Committee was established. This committee proposes suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. In addition, the Supervisory Board discussed the issue of a sufficient number of independent Supervisory Board members and adopted its declaration of compliance with the recommendations of the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act.

MEETINGS AND RESOLUTIONS OF SUPERVISORY BOARD COMMITTEES

In the financial year 2007, the Supervisory Board of METRO AG initially had four committees: the Presidential Committee, the Personnel and Nominations Committee (subsequently: Personnel Committee), the Accounting and Audit Committee as well as the Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act. A fifth committee, the Nominations Committee, was established in December 2007. Its duties had previously been assumed by the shareholder representatives in the Personnel Committee.

Accounting and Audit Committee – The Accounting and Audit Committee primarily handled accounting and auditing issues as well as risk management and compliance. In the financial year 2007, the committee met five times. Regular meetings were held in March, May, July and October 2007. On two occasions, the Accounting and Audit Committee convened with the Presidential Committee. In December 2007, the Accounting and Audit Committee convened for an unscheduled meeting.

In March 2007, in the presence of the auditors, the Accounting and Audit Committee, together with the Presidential Committee, discussed the annual financial statements for METRO AG and the consolidated financial statements for the financial year 2006, the management report of METRO AG, the Group management report for the financial year 2006, the audit of the half-year report, the Management Board's proposal on the appropriation of the balance sheet profit to the Annual General Meeting, as well as the Management Board's report on relations with associated companies in 2006. The committee recommended that the Supervisory Board approve the compiled financial statements as well as the Management Board's proposal on the appropriation of the balance sheet profit. Other points on the agenda of the March meeting also served to prepare the Supervisory Board's balance sheet meeting. This included the recommendation of the Accounting and Audit Committee to the Supervisory Board on the assignment of the auditing mandates for the annual and Group financial statements 2007 as well as for the Group's half-year report 2007.

The focal point of the other regular committee meetings was the review of financial reports prior to their release, i.e. of the quarterly reports and the half-year report of METRO AG. Other significant subjects of discussion during the reporting period included METRO Group's risk management and compliance programme as well as the potential impact of a ruling by the higher district court in Düsseldorf on the election of the auditor by the Annual General Meeting of 2003. In December 2007, the Accounting and Audit Committee elected a new committee chairman. The office had been vacant since Dr. Cordes' move to the Management Board of METRO AG. With the election of Dr. Schinzler, it was filled with an independent member of the Supervisory Board.

Personnel Committee – The Personnel Committee deals primarily with personnel issues concerning the Management Board. In the financial year 2007, four committee meetings were held. The Personnel Committee convened for regular meetings and also together with the Presidential Committee in March and July 2007. The Personnel Committee held extraordinary meetings in September and December 2007. One resolution was made outside of a meeting.

The Personnel Committee's work during the reporting period was dominated by the personnel changes on the Management Board. The Supervisory Board's decisions on the change of office at the head of the Management Board were prepared by the recommendations of the Personnel Committee. The Personnel Committee also discussed and decided on a contract termination agreement with the departing Management Board Chairman Dr. Körber as well as on the employment contract with Dr. Cordes. In this context, Dr. Cordes' other activities on the Management Board of Franz Haniel & Cie. GmbH were also the subject of thorough discussions and considerations. In addition, a recommendation was made to the Supervisory Board to endorse Mr. Mierdorf's continued appointment to the Management Board. Other focal areas of the committee work included the remuneration and remuneration system for the members of the Management Board and their outside jobs.

Presidential Committee – 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.

During the reporting period, the Presidential Committee met four times, including two joint meetings with the Accounting and Audit Committee (in March and May 2007) and the Personnel Committee (in March and July 2007).

Nominations Committee, Mediation Committee – The Nominations Committee has the responsibility of proposing suitable candidates for the Supervisory Board's election proposals to the Annual General Meeting. By resolution of the Supervisory Board, the committee was established in December 2007. No committee meeting was convened in the financial year 2007.

The Mediation Committee formulates proposals for the appointment or dismissal of members of the Management Board in cases pursuant to § 31 of the German Co-determination Act. The Mediation Committee did not have to meet in the financial year 2007.

CORPORATE GOVERNANCE

The Management Board and the Supervisory Board report on METRO Group's corporate governance in the Corporate Governance Report for 2007.

In December 2007, 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 on the Internet site www.metrogroup.de. The full declaration of compliance appears in the Corporate Governance Report 2007.

Before the Supervisory Board's meeting in March 2007, 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 thus 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 issues.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2007, REPORT ON RELATIONS WITH ASSOCIATED COMPANIES 2007

The annual financial statements of METRO AG, in consideration of accounting, for the financial year 2007 that were submitted by the Management Board pursuant to regulations laid down in the German Commercial Code, the METRO AG management report for 2007, the consolidated financial statements 2007 compiled by METRO AG according to International Financial Reporting Standards (IFRS) and the Group's management report 2007 were reviewed by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and were given unqualified approval. The auditor provided a written report on the findings.

The Supervisory Board reviewed the annual financial statements of METRO AG and the consolidated financial statements for the financial year 2007, the management report of METRO AG and the Group's management report the financial year 2007 as well as the Management Board's proposal to the Annual General Meeting 2008 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 2008. 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. In a concluding finding of its own review, the Supervisory Board determined that no objections were necessary. 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 made by the Management Board. As a result, the annual financial statements of METRO AG 2007 have been adopted. The Supervisory Board also supports the Management Board's proposed appropriation of the balance sheet profit after considering shareholders' interest in a disbursement and the company's interests in further retained earnings.

Pursuant to § 312 of the German Stock Corporation Act, the Management Board of METRO AG prepared a report about relations with associated companies for the financial year 2007. 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 that the board held in March 2008. 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 2007 annual and consolidated financial statements, the 2007 management reports, the proposed appropriation of the balance sheet profit, and the Management Board's 2007 report about relations with associated companies were prepared during a joint meeting by the Presidential Committee and the Accounting and Audit Committee in March 2008. 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 Accounting and Audit Committee recommended that the Supervisory Board approve the prepared financial statements and endorse the Management Board's recommendation for appropriation of the balance sheet profit.

APPOINTMENTS AND RESIGNATIONS

Ms. Anja Kiehne-Neuberg resigned from her position as a member of the Supervisory Board effective 30 June 2007. With the resolution of the Düsseldorf District Court, she was succeeded by Mr. Hubert Frieling, who joined the Supervisory Board on 20 July 2007.

Before his move to the Management Board of METRO AG, Dr. Eckhard Cordes resigned from his positions as a member and chairman of the Supervisory Board as of 31 October 2007. With the resolution of the Düsseldorf District Court, he was succeeded by Mr. Franz M. Haniel, who joined the Supervisory Board on 1 November 2007. In an extraordinary meeting at the beginning of November 2007, the Supervisory Board elected Mr. Haniel as its new chairman.

Dr. Manfred Schneider resigned from his position as a member of the Supervisory Board effective 3 April 2008. The Management Board of METRO AG will file a petition with the competent court for judicial appointment of a succeeding member.

Düsseldorf, March 2008

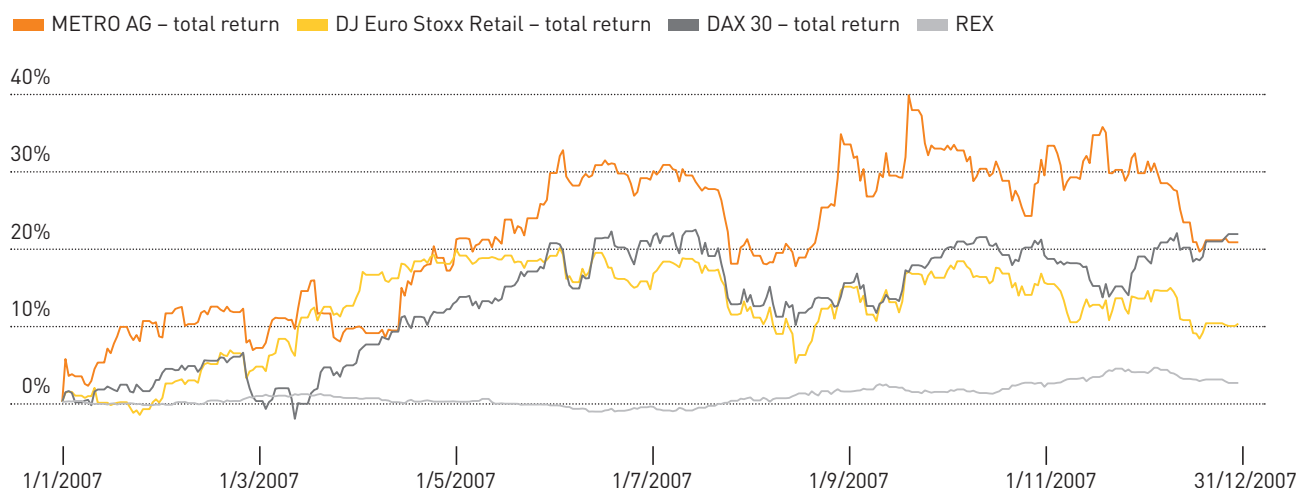
THE SUPERVISORY BOARD

A handwritten signature in black ink, appearing to read 'Franz M. Haniel', written in a cursive style.

Franz M. Haniel
Chairman

METRO SHARES

Performance of Metro ordinary share 2007¹



¹Metro ordinary share including dividend reinvestment, Dow Jones Euro Stoxx Retail and DAX 30 indexed at 100.

Source: Bloomberg

Comparison of Metro ordinary share performance in 2007 (including dividend reinvestment) vs. DJ Euro Stoxx Retail vs. DAX 30 vs. REX

	METRO Group incl. dividend	DAX	Dow Jones Euro Stoxx Retail	REX
	21.2%	22.3%	10.4%	2.5%

Source: Bloomberg

International stock markets performed positively in 2007, continuing the growth trend of the previous five years. The continuous oil price increases did not slow the stock markets down for long. Companies' strong profit growth and optimistic business expectations spurred share prices, sending them to new all-time highs. In the second half of the year, however, the subprime mortgage crisis in the United States weighed down the global economy. The crisis reached its provisional peak at the end of July 2007. While mortgage banks in the United States filed for bankruptcy, international banks, including some German institutions active in the U.S. mortgage market, also felt the repercussions of the mortgage crisis. The fear of a recession in the United States further dampened the mood on the stock markets. In August, the major indexes all suffered downward corrections of some 10 percent. However, in December, a year-end rally saw the markets reach the summer's highs once again – the gloomy conditions notwithstanding. The German DAX stock index closed the year at 8,067.32 points, only marginally below its historic high. It closed on a positive note for the fifth consecutive year.

The DAX closed the year at 8,067.32 points, just below its historic high

Throughout most of 2007, METRO Group's ordinary shares performed markedly better than the DAX. Towards the end of the year, the two chart curves came closer together, resulting in the Metro shares being slightly below the level of the leading index for the entire year. While the DAX rose by 22.3 percent, the Metro shares, with the dividend factored in, increased by 21.2 percent. Without taking the dividend into account, the shares gained 18.9 percent.

**Metro's shares rose
by 21.2 percent
including dividends**

In a sector comparison, Metro's shares also performed markedly better than other European retailing companies. The generally positive business development of the European retail sector was also mirrored by the performance of retail shares during the first half of the year.

In addition, share prices across the sector were driven by rising real estate prices. Financial investors and hedge funds concentrated on shares with large real estate assets and priced possible real estate transactions into their valuations on a large scale. It was only the onset of the mortgage crisis and the reduced willingness among banks to finance large transactions that subdued the "real estate bubble" and led to declining valuations. Furthermore, investors became increasingly pessimistic in their business development outlook, particularly for the German retail sector. The Dow Jones Euro Stoxx Retail (DJES) sector index tracks share price performance in the European retail sector. In the second half of 2007, it was moving below the major indices, including the DAX. On a full-year comparison, the Metro share rose by 21.2 percent, doubling the price growth of the DJES, which increased by only 10.4 percent.

The Metro share performed significantly better than risk-free investments. The benchmark index REX, in turn, which tracks a representative section of the market for German government bonds with fixed interest rates and residual terms of between 0.5 and 10.5 years, gained only 2.5 percent in 2007.

A person who invested €10,000 in Metro shares when it was first listed in 1996 would have held securities valued at €26,202 – including dividend reinvestment – by the end of 2007. This equals an annual average return of 9.2 percent.

MARKET CAPITALISATION AND INDEX INCLUSION

On 31 August 2007, the Haniel Group announced that it had increased its shareholding in METRO AG. In this process, Haniel raised its interest in METRO AG by 15.68 percent to a total of 34.24 percent by purchasing additional shares. The Schmidt-Ruthenbeck family increased its shareholding by 2.60 percent to 15.77 percent. Haniel and Schmidt-Ruthenbeck have pooled their interests and thus control 50.01 percent of the voting rights in METRO AG, subject to approval by the merger control authorities. The three principal shareholders Haniel, Schmidt-Ruthenbeck and Beisheim together hold 68.47 percent of the voting rights in METRO AG.

**Three principle
shareholders hold
68.47 percent**

In connection with Haniel's previously mentioned announcement about the change in the ownership structure, interest in the Metro share appreciated perceptibly and the number of shares traded increased markedly.

METRO Group's market capitalisation totalled €18.7 billion at the end of December 2007, making it one of Germany's largest corporations and a constituent of the DAX blue-chip index. Because the principle shareholders increased their stakes as explained above, market capitalisation relevant for DAX inclusion declined. Here, only the free-float is taken into account. Thus, METRO Group was only ranked 28th in 2007 after being ranked 22nd the previous year. In terms of trading flow, the Metro share ranked 21st. On an average trading day, more than 1.7 million ordinary Metro shares were traded compared with 1.5 million shares in 2006.

Apart from its DAX inclusion, METRO Group is represented in other important international indices, including the Dow Jones Euro Stoxx, the respective sector index Dow Jones Euro Stoxx Retail as well as the Morgan Stanley Capital International (MSCI) Euro. Moreover, METRO Group is also one of the shares listed in the Dow Jones Sustainability World Index. In October 2007, the Frankfurt Stock Exchange operator Deutsche Börse launched the DAXglobal Sarasin Sustainability Germany Index. This new index comprises 34 of the 100 largest German companies that were selected according to their sustainability valuation as calculated by the Swiss bank Sarasin. METRO Group has been included in this index from the time of its launch.

DIVIDEND

At the Annual General Meeting on 16 May 2008, the Management Board will propose an increased dividend of €1.18 per ordinary share and €1.298 per preference share for the financial year 2007. This would amount to a dividend yield of 2.1 percent on the closing share price for 2007 for the Metro ordinary share. Based on earnings per share from continuing operations in the amount of €2.61, the pay-out ratio would amount to around 45 percent.

INVESTOR RELATIONS

At METRO Group, we give very high priority to our dialogue with shareholders and analysts. In all our communications with capital markets, we adhere to the principles of fair disclosure: timeliness, continuity, credibility and equality of treatment. Our capital market communications activities have a long-term outlook and form a key component in our value-creating Group strategy.

We gave a detailed account of the financial year 2006 development at the annual Analysts' Meeting in Düsseldorf, which was also broadcast on the Internet. In addition to publishing Investor News, we also held conference calls regarding our quarterly reports during the course of the year. Interested parties were also able to follow these calls on the Internet.

**Investor hotline
(Germany):
01802-725750**

METRO Group once again gave presentations to investors and analysts in every important financial centre in Europe and the United States in 2007. We addressed more than 1,000 participants at 10 conferences. To round off our direct dialogue with the capital markets, we carried out 34 roadshow days in 11 countries and conducted more than 100 meetings and guided store visits at our Düsseldorf location.

Currently, more than 40 analysts from all reputable national and international banks are covering METRO Group. They comment on business developments and regularly issue investment recommendations that we publish on our Investor Relations website. At the end of 2007, 45 percent of the analysts recommended the Metro share as a "buy". 39 percent rated it "hold", and 16 percent gave it a "sell" rating.

Maintaining a close dialogue with individual investors is also very important to us at METRO Group. Besides institutional investors, approximately 100,000 individuals are shareholders in our company. Our investor hotline (+49-(0)1802-725750) will answer all individual investors' questions about METRO Group and its shares. In addition, in autumn of 2007, we participated in two investor fairs: the investor fair in Munich is one of the most important German financial fairs with around 4,000 visitors and the investor fair in Cologne attracted more than 2,000 individual investors. Our investor relations team had numerous interesting discussions there and contributed to a better understanding of METRO Group. Furthermore, in November, METRO Group participated in the Cologne shareholder forum organised by the German individual investor association DSW and the KBV Kölner Börsenverein.

In addition, we provide an extensive range of information on the Internet. The increasing number of clicks on our website demonstrates the growing importance of this medium and greater interest in METRO Group. Our Internet site scores highly in the rankings of external institutions, particularly for its extensive and detailed information. We have also achieved top positions in rankings that assess the overall investor relations work. METRO Group ranked third in the "Capital Investor Relations Award" in the DAX category, climbing six places from the previous year. For the fourth consecutive year, METRO Group won the award for the best investor relations work among European retail companies that is presented by the international business magazine "Institutional Investor". Moreover, the investor relations team won the accolade of "Best IR Professional" in the European retail sector.

In France, METRO Group won the "Fils d'Or" investor relations prize for the second time. This highly respected prize is awarded by the French financial newspaper "La Vie Financière". It honours the best financial communications work among the non-French companies listed in the FTSEurofirst 80 index and thus pays tribute to the various investor relations activities of METRO Group in France.

Apart from analysts' recommendations, you will find reports, presentations, functions for creating share performance charts and various other download options at www.metrogroup.de/investorrelations. You can also join our mailing list here

Metro shares 2005–2007

			2007	2006	2005
Annual closing price	Ordinary share	€	57.44	48.31	40.80
	Preference share	€	44.20	47.44	53.78
Annual high	Ordinary share	€	66.70	49.36	44.20
	Preference share	€	60.00	61.00	55.98
Annual low	Ordinary share	€	49.34	39.21	36.54
	Preference share	€	40.00	45.50	49.60
Dividend	Ordinary share	€	1.18 ¹	1.12	1.02
	Preference share	€	1.298 ¹	1.232	1.122
Dividend yield based on	Ordinary share	%	2.1 ¹	2.3	2.5
	Preference share	%	2.9 ¹	2.6	2.1
Market capitalisation		€ billion	18.7	15.8	13.4

Data based on Xetra closing price

¹Subject to approval by the Annual General Meeting**Information about the Metro shares**

	Ordinary share	Preference share
Code numbers	725 750	725 753
ISIN code	DE 000 725 750 3	DE 000 725 753 7
Reuters code	MEOG.DE	MEOG_p.DE
Bloomberg code	ME0 GR	ME03 GR
Number of shares	324,109,563	2,677,966

GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT

HIGHLIGHTS 2007

- | | |
|----------------|--|
| January | ■ METRO Group becomes the first German retailing company to place nutritional labelling on its private-label products. The consumer finds the important data clearly positioned on the front of the package: serving size, calories per serving and percentage of calories based on the Guideline Daily Amount. In the following months, the nutritional information is added to all 2,400 private-label products in the food segment. |
| March | ■ METRO Group bundles its nutrition and exercise activities under one roof. The Germany-wide initiative "Gut für Dich" (Good for You) is designed to encourage people to lead healthier and more active lifestyles.

■ At the annual business press conference on 21 March, METRO Group reports on the previous financial year's successful business developments. |
| May | ■ The subject of healthier lifestyles is a focal point of the METRO Group Marathon in Düsseldorf on 6 May. |
| June | ■ MGB METRO Group Buying International, the procurement company for METRO Group, organises the "METRO Group International Supplier Conference and Procurement Fair 2007." The conference serves as a platform for intensive discussions and business deals.

■ The METRO Group sales brand Real celebrates its 10th anniversary in Poland, one of the largest markets of METRO Group. |
| July | ■ Kick-off for the "Gut für Dich" roadshow: the initiative "Gut für Dich" begins its tour of Germany and fascinates visitors with its colourful programme, covering many aspects of nutrition and exercise. |

- | | |
|------------------|---|
| August | <ul style="list-style-type: none"> ■ The METRO Group RFID Innovation Centre, the central information and test platform for new technologies, greets its 2,000th visitor group. ■ The Haniel Group informs METRO AG that it has increased its stake in the company. The shareholders Franz Haniel & Cie. GmbH and the Schmidt-Ruthenbeck family now control 50.01 percent of the voting rights in METRO AG, subject to approval by merger control authorities. |
| September | <ul style="list-style-type: none"> ■ In Istanbul, our Media Markt sales brand opens its first consumer electronics centre in Turkey. ■ Dr. Eckhard Cordes is elected the new Chairman of the Management Board at METRO AG. On 1 November 2007, Dr. Cordes will assume his position as Chairman of the Management Board at METRO AG and will replace Dr. Hans-Joachim Körber. |
| October | <ul style="list-style-type: none"> ■ Pakistan's first Metro Cash & Carry store is opened in Lahore, a city of over 6 million inhabitants. METRO Group is now present in 31 countries. ■ The 600th Metro Cash & Carry store is opened in Novosibirsk, Siberia, and is the 36th location in Russia. |
| November | <ul style="list-style-type: none"> ■ Innovation driver in retail: METRO Group continues to push the introduction of Radio Frequency Identification (RFID) in Germany. Deliveries can now be automatically registered at 180 locations of the sales brands Metro Cash & Carry and Real as well as at the central warehouses of MGL METRO Group Logistics. |
| December | <ul style="list-style-type: none"> ■ The 700th consumer electronics store of the Media-Saturn group is opened in Samara, Russia. |

OVERVIEW OF THE FINANCIAL YEAR 2007 AND OUTLOOK

METRO Group met its sales and earnings targets in the financial year 2007, marking the strongest growth since 1998. The company remained on its course of profitable growth and rigorous international expansion.

EARNINGS POSITION

- METRO Group raised its sales in 2007 by 10.4 percent to a record of €64.3 billion
- Group sales abroad increased by 13.6 percent to €38.0 billion
- Group EBIT rose to €2.1 billion, up 8.8 percent compared with EBIT of €1.9 billion adjusted for special items
- Earnings per share from continued operations before special items rose by 3.7 percent

FINANCIAL AND ASSET POSITION

- Investments in existing concepts and organic growth rose by €0.2 billion to €2.2 billion
- Balance sheet net debt fell by €0.9 billion to €4.3 billion
- The company's long-term rating remained unchanged: Baa2 (Moody's) and BBB (Standard & Poor's) with a stable outlook respectively
- Cash flow from continuing operations remained unchanged from the previous year's level at €3.2 billion
- Total assets rose by €1.7 billion to €33.9 billion. Equity grew by €0.5 billion to €6.5 billion, and the equity ratio increased by 0.4 percentage points to 19.2 percent

OUTLOOK

In the context of its profitable growth strategy, METRO Group expects to be able to increase sales by more than 6 percent during the current financial year 2008 as well as over the medium term. In the process, the company plans to open about 40 Metro Cash & Carry stores a year as well as over 70 Media Markt and Saturn stores and around 15 Real hypermarkets. EBIT before special items is expected to increase faster than sales. Investments of METRO Group are likely to exceed the prior-year level.

METRO Group also aims to achieve another increase in Economic Value Added (EVA), its key measure of corporate success.

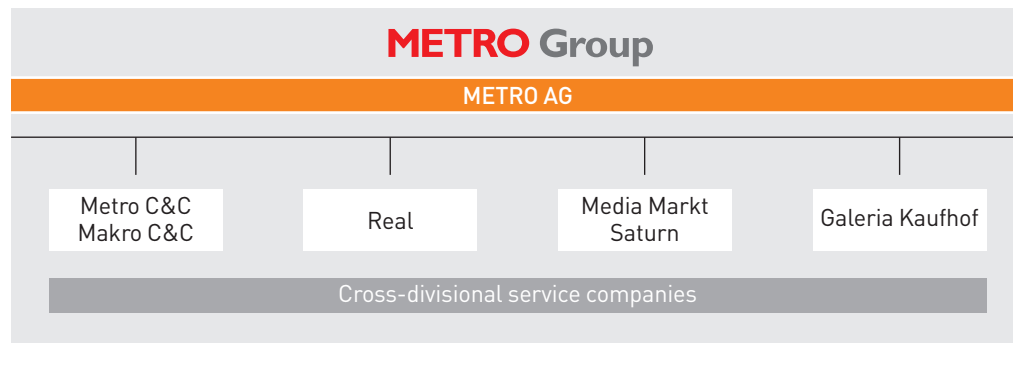
I. GROUP STRUCTURE

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 specific merchandising concepts and, in some cases, several sales brands in their respective market segments.

The Extra sales brand was sold to the Rewe Group on 17 January 2008 with effect from 1 July 2008. This concerns 245 supermarkets and a sales volume of €1.6 billion in 2007. The transaction is subject to the approval of the merger control authority. Extra is no longer part of METRO Group's portfolio of sales brands and is shown as a discontinued operation. The 2007 financial results have been adjusted for the results of the Extra sales brand. The previous year's figures – with the exception of the balance sheet – have been adjusted accordingly.

Cross-divisional service companies support the sales divisions by providing Group-wide and cross-divisional services in areas such as procurement, logistics, information technology, real estate management and business solutions.

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 29 countries. Its product assortment is geared exclusively towards commercial and wholesale customers.



Real is the market leader in the German and Polish hypermarket sectors. The sales brand has also successfully established itself in Turkey, Russia and Romania.



Europe's No. 1 consumer electronics retailer: the Media Markt and Saturn sales brands convince with their innovative, powerful and large-scale sales and marketing concepts. Both have been posting strong growth in recent years and are rigorously expanding their market-leading 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 centres with their sophisticated, high-quality assortment presented in product worlds that reflect a modern lifestyle-orientated sales approach.

GROUP-WIDE BUNDLING OF CENTRAL FUNCTIONS

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

Business solutions for METRO Group

Due to the dynamic internationalisation of METRO Group and the increasing integration of concepts, processes and IT systems, MGS METRO Group Solutions took on a number of additional functions in the financial year 2007 to complement MGS's role as a sub-holding company of all cross-divisional service companies. MGS defines and harmonises operative as well as administrative processes and provides the sales divisions and cross-divisional service companies of METRO Group with standardised turnkey solutions. These business solutions consist of specialist process know-how as well as IT systems and implementation support. The range of business solutions offered extends from improved procurement and logistics processes through standard solutions for merchandise management or check-out processes in the sales divisions' stores to uniform working and information platforms for administrative employees. This means that MGS is responsible for the definition, harmonisation and continued development of business processes along the entire value chain of METRO Group.

Procurement

Procurement is one of the core competencies of a retailing company. MGB METRO Group Buying organises and is responsible for the procurement of food and nonfood products on a national and international level. Strategic procurement provides decisive competitive edges: low prices, optimal conditions and consistently high quality standards. Our suppliers regard this procurement company as a strong and reliable partner that values long-term business relationships built on mutual trust.

Low procurement costs 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. As early as 2006, MGB optimised its organisational structure in order to better exploit cross-country and cross-divisional potential: as an umbrella organisation, MGB METRO Group Buying International sets the strategic direction of four regional organisations – South, East, West and Central. These organisations bundle the procurement activities for up to eight countries at a time. Thanks to their close regional proximity to customers and suppliers, they can gain substantial market intelligence and respond even more flexibly to local customer needs. MGB METRO Group Buying Hong Kong is responsible for import and export trade with Asia.

Logistics

As the logistics service provider of METRO Group, MGL METRO Group Logistics is responsible for providing the sales divisions with the right product to the right place at the right time and in the right quantity and quality. The broad merchandise assortment and related specific logistics challenges mean that MGL must handle heterogeneous and complex demands from the sales brands. Aside from cost efficiency and quality assurance, speed and flexibility play a key role in the processes. In its work, MGL relies on the bundling of merchandise volumes, standardised logistics solutions, and optimal use of ground, air and sea transport.

The successful bundling of merchandise flows is based on the procurement logistics concept, which has won much praise from experts. Under the central management of MGL, the lion's share of merchandise flows in procurement logistics makes its way from the suppliers via networks of high-performance logistics partners to the stores of METRO Group, without any interim storage. This system offers such benefits as cost savings and lower transport-related environmental damage thanks to the reduction of tonne-kilometres. At the same time, the number of deliveries at the stores' loading ramps declines – which also produces cost advantages and helps the environment.

In the context of its warehousing and distribution logistics, MGL also achieves additional synergies and efficiency gains from the management of 11 own nonfood and food warehouses in Germany. In addition, MGL manages all central warehousing activities outside Germany.

Information technology

Managing Group-wide data and information flows is just as demanding as managing merchandise flows. MGI METRO Group Information Technology, which has five subsidiaries in Poland, Romania, Russia and Turkey, handles this task. MGI develops merchandise management, logistics and data warehousing systems, among others, and pioneers innovative technologies such as Radio Frequency Identification (RFID) in the context of Advanced Retailing. In addition, MGI operates one of Europe's biggest Group networks and guarantees the functionality and performance of the IT infrastructure across all divisions both on a national and international level.

Real estate management

METRO Group Asset Management combines a high level of expertise in the real estate business with retail-specific know-how. The company is one of Germany's major retail real estate managers and oversees more than 750 properties totalling 8 million square metres of commercial space worldwide. Its facility management activities for about 1,700 locations cover 16 countries. METRO Group Asset Management focuses on the continuous development of METRO Group properties, the creation of sustained value added and potential divestments of property. In the process, economic efficiency and environmental sustainability do not contradict each other. Architects, engineers, economists and property experts work hand in hand to fulfil the Group's responsibility toward society and the environment. For example, a growing number of locations use central building control systems to deploy and monitor low-energy heating and ventilation systems. In Turkey, a shopping centre with one of the Mediterranean area's biggest geothermal facilities was opened in August 2007. Individual locations already generate electricity from photovoltaic systems. In this way, METRO Group Asset Management sets standards for future-orientated commercial real estate properties on an international level.

II. ECONOMIC PARAMETERS

WORLDWIDE ECONOMIC TRENDS

Dynamic global economy supports retailing of consumer goods

The global economy continued to grow in 2007, although its momentum slowed slightly from the previous year. The mortgage crisis in the United States weighed on the international financial markets. The depreciation of the dollar and the simultaneous rise of oil prices in the second half of the year caused global economic conditions to worsen. The worldwide increase of food and commodity prices also quickened because of rising demand and falling supply, although the strong euro slightly offset this effect. Within the European Monetary Union, this produced an inflation rate of about 3 percent by the end of the year.

In view of the generally robust conditions, the world's economy grew in 2007 by a real 3.6 percent, only slightly below the high level of 3.9 percent in the preceding year. The fastest-growing regions were again Eastern Europe, with a gain of just under 7 percent in Gross Domestic Product, along with Asia and Latin America, with average growth rates of more than 5 percent. China and India remained the growth engines within Asia. Russia led in economic growth among the large countries of Eastern Europe. Western Europe also grew by a robust 2.7 percent, only slightly below the previous year's level. The soft spot in global economic performance was the United States. Hamstrung by the mortgage crisis, it grew by only 2.2 percent.

Western Europe – robust, slightly slower growth

The Western European countries remained on a stable growth trajectory. Gross Domestic Product rose by 2.6 percent in the countries of the euro zone. Greece, Spain, Austria, the Netherlands and the United Kingdom achieved the strongest economic growth among the METRO Group countries of Western Europe, with rates above 3 percent. With expansion of 2.5 percent, Germany's growth was slightly lower than the Western European average. Italy, Portugal, Denmark and France progressed more slowly, with growth rates of no more than 2 percent.

Eastern Europe – strong economic momentum

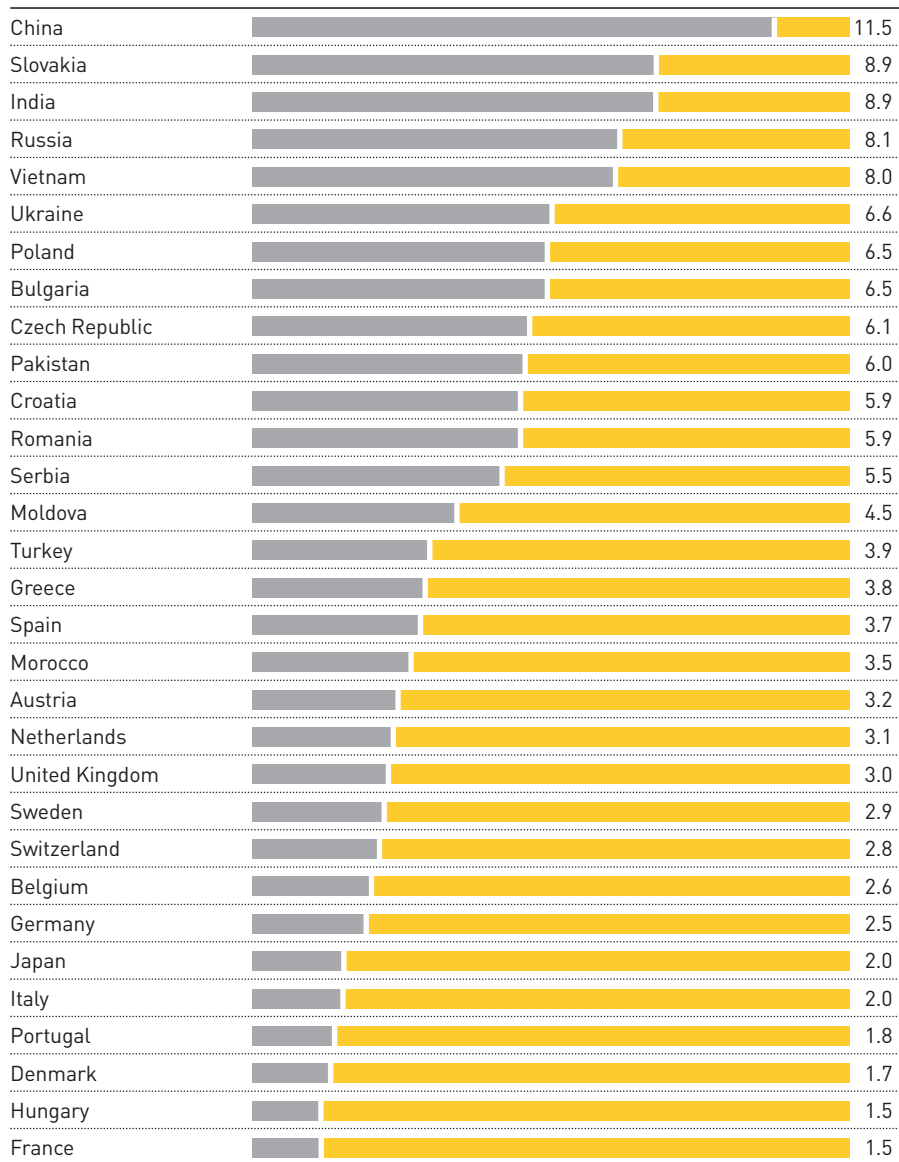
The economies of Eastern Europe also continued their dynamic growth in 2007. With average growth of Gross Domestic Product of 6.9 percent, the region was able to top its level of the previous year. Apart from the Baltic states, the highest growth rates were recorded for Slovakia, with nearly 9 percent, and Russia, with about 8 percent. Nearly all of the remaining countries experienced growth of more than 5 percent. A notable exception was Hungary, which posted economic growth of only 1.5 percent because of the restrictive fiscal policy introduced to balance the government budget.

Asia's growth strengthens the global economy

In 2007, the countries of Asia again matched the previous year's strong growth rates. For the fifth consecutive year, China generated double-digit growth and is poised to become the third-largest national economy, after the United States and Japan. The emerging countries of India, Vietnam and Pakistan also continued to grow at an impressive pace. The established industrial country of Japan registered solid economic growth of 2.0 percent, just slightly below the previous year's level.

Development of Gross Domestic Product of METRO Group countries in 2007

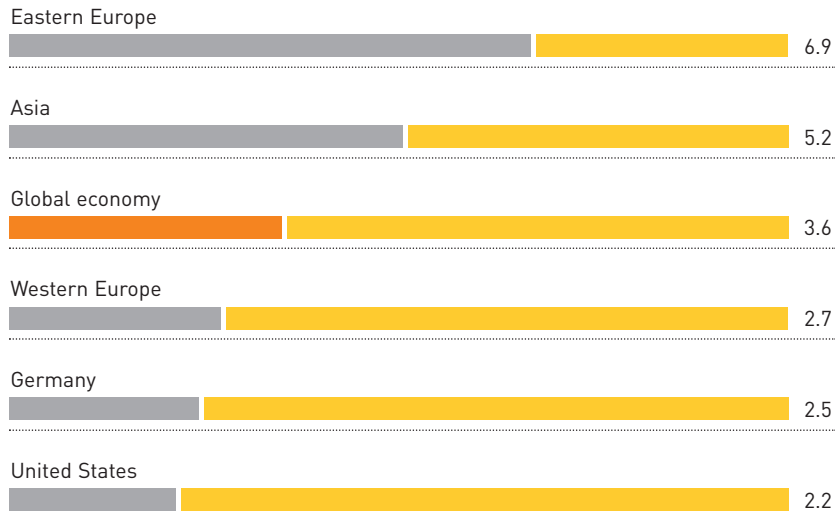
Real percentage change year-to-year



Source: FERI

Development of Gross Domestic Product in key global regions and Germany in 2007

Real percentage change year-to-year



Source: FERl

GLOBAL TRADE

Worldwide retail sales in 2007 amounted to nearly €9,200 billion. Overall, retail sales grew by a real 3.0 percent in 2007, just slightly below the growth level of the entire worldwide economy. Around 85 percent of these global retail sales were generated in the three large economic spheres: Europe, Asia and North America.

Worldwide retailing grew to more than €9,200 billion

Retailing momentum is strongest in Eastern Europe

The growth of retailing varied by region. As in previous years, the dynamically expanding countries of Eastern Europe maintained their lead in growth of real retail sales with rates in the two-digit percentages. The emerging markets of Asia yielded stable real growth rates of around 5 percent. As expected, the growth rates in Western Europe were much more moderate, but still cruised along at a strong level compared with past years.

Western Europe and Germany

Retailing in Western Europe benefited in 2007 from the strong economic trend, generating real growth of 2.1 percent, slightly higher than in the previous year. Sweden, with more than 7 percent, had the strongest retailing growth of METRO Group's Western European countries. Higher growth than the average was also recorded in Switzerland and the United Kingdom, with levels of around 4 percent. Low sales growth was posted in Austria, Denmark, Belgium and Italy. Only Germany lagged behind with a

Western Europe: slightly higher retail sales growth than in the previous year

**Real decline in
German retail sales**

real decline in retail sales. The strong economic trend in Germany, which has fuelled a significant rise in employment and a gain in disposable income, was not yet able to exert a positive effect on real retail sales. The drastic increase in the value-added tax by 3 percentage points at the start of the year as well as rising food prices during the second half of the year dampened consumer sentiment there.

The retailing trend in Germany in 2007 has to be examined in more detail because of the increase in value-added tax. The gross outlays for consumption and the net sales left over for retailing grew at different rates because of the VAT effect. Consumers of retailing in the narrower definition – namely, excluding motor vehicles, petrol stations, pharmacies and fuels – spent a nominal 0.9 percent more than in the previous year. The retail sector, in contrast, recorded a nominal net sales drop of 0.8 percent after the increase in value-added tax was subtracted.

Eastern Europe
**Retailing is growing
by double-digit rates
in Eastern Europe**

Eastern Europe in 2007 was again able to achieve real growth in retail sales in the two-digit range. Of METRO Group's Eastern European countries, Romania, Russia, Ukraine and the Czech Republic had the strongest growth in retailing. Except for Hungary, which experienced a negative sales change, the movement of retail sales in the other Eastern European countries was also dynamic.

Asia
**Asia, except for
Japan, posted
strong retailing
growth**

Asia's retail sales also developed favourably again, although on a slower growth path than in Eastern Europe. Retail sales in METRO Group's Asian countries grew by about 5 percent. Vietnam recorded the highest sales growth here with 6.5 percent. In the saturated Japanese market, retail sales stagnated again, as in the previous year.

**METRO CASH & CARRY:
TRENDS IN SELF-SERVICE WHOLESALING**

The Metro Cash & Carry sales brand is the market leader in self-service wholesaling. Consistent international growth and the rigorous tailoring of the assortment to meet regional customers' needs facilitate the continuous expansion of market leadership.

**Slight growth in
Western Europe**

This sector recorded only slight sales gains in Germany in the reporting year. But the favourable sales trend continued in the other European countries where Metro Cash & Carry does business. Moderate gains in market volume were recorded in France and Spain.

**Dynamic advance
in Eastern Europe**

The dynamic trend of self-service wholesaling in Eastern Europe is being fuelled by Russia, Ukraine and Poland. The continuing expansion of the cash & carry segment and the benign conditions in the general economy boosted this sector last year to above-average sales growth.

The cash & carry retail format is only at the beginning of its developmental cycle in East Asian markets. There are still few system competitors with this operating type. Metro Cash & Carry exploits these growth opportunities by continually expanding its network of outlets. Market segment figures confirm this growth path for 2007 with the main sales increases coming from China. Vietnam, Japan and India also raised their market volume in this sector.

Strong growth opportunities in Asia

With the market entry in Pakistan in 2007, Metro Cash & Carry reinforced its presence in the Asian growth region.

REAL: FOOD RETAILING TRENDS

With the rapid integration of the hypermarkets taken over in 2006 from Wal-Mart Germany and those of Géant in Poland, Real strengthened its considerable position in the market. In both countries, Real is the leading operator of hypermarkets. Thanks to its continued selective expansion, the sales brand was also able to strengthen its position in other foreign markets. Aside from the smooth integration of the Wal-Mart stores, Real increased its repositioning activities in Germany, a difficult market for hypermarket operators.

Food retail sales in Germany slightly increased in 2007 compared with the previous year. This development was due mostly to higher food prices during the second half of the year in particular. The large-scale hypermarkets with more than 5,000 square metres of selling space were able to maintain the strong trend of the start of the year and finished the year with a slight increase in sales.

Slight growth in German food retailing

The hypermarket segment recorded positive sales trends in the Eastern European countries. The dynamic development of the markets in Russia, Poland, Romania and Turkey shows the strong, sustained consumer demand for modern large-scale store concepts. This demand was met by the strong expansion of important hypermarket operators especially in Russia and Romania.

Favourable market trend in Eastern Europe

MEDIA MARKET AND SATURN: TRENDS IN CONSUMER ELECTRONICS RETAILING

In 2007, the Media-Saturn Group extended its market leadership in Germany and Europe further. The market entries of Saturn in Belgium and Media Markt in Turkey also strengthened their international presence.

In a dynamic competitive environment, consumer electronics retailing in Germany posted higher sales than in the previous year. Despite the 2006 pull-forward of purchases made in advance of the VAT increase in 2007, demand for new technologies in nearly all categories on the consumer electronics market remained high during the reporting year. Above-average growth rates were seen especially in information technology, telecommunications and small electrical devices.

Continued sales growth in German consumer electronics retailing

During the reporting year, international consumer electronics retailing once again topped its strong sales growth of the previous year. In all Western European countries in which Media Markt and Saturn operates, this retailing segment recorded slight sales gains. The sales brands were able to expand their market position for a number of reasons, including the continually strong demand for innovative technologies. In addition, the strong growth in Eastern Europe is still being driven by the backlog demand to obtain standard electronic products for the first time.

Pent-up demand continues in Eastern Europe

GALERIA KAUFHOF: TRENDS IN THE DEPARTMENT STORE BUSINESS

The sales brand Galeria Kaufhof, Germany's systems und concept leading department store business, held its ground in the dynamic market environment in 2007.

In Germany, specialist retailers and some textile department stores as well as the rising number of shopping centres are intensifying the competition in the sector and putting increasing pressure on the broadly assorted department store operators. The classic department stores lost market share again last year, compared with retail in general.

The favourable development of the previous years continued in Belgium, however. In this environment, Galeria Inno was able to raise its market share and expand its leading market position.

III. EARNINGS POSITION

OVERVIEW OF GROUP BUSINESS DEVELOPMENTS

METRO Group can look back on a positive business development in 2007. The company continued to strengthen its position as one of the most important and largest international retailing groups in terms of sales strength. With a significant increase in the German and international business, Group sales reached a record of €64.3 billion, with the help of the acquisitions of Wal-Mart Germany and the Polish Géant hypermarkets in 2006 and adjusted for the sales of the Extra supermarkets. The foreign share of Group sales climbed to 59.1 percent. Our continued international expansion made the key contribution to the business success of METRO Group. Group EBIT totalled €2,098 million, exceeding the prior-year amount adjusted for Extra and one-time effects in 2006 (€1,928 million) by 8.8 percent.

SALES AND EARNINGS DEVELOPMENT

In the financial year 2007, METRO Group raised Group sales by 10.4 percent to €64.3 billion (previous year: €58.3 billion). This was the highest growth rate since 1998. Sales growth accelerated significantly compared with the previous year, thanks partly to the acquisitions of Wal-Mart Germany and Géant's Polish business. The sales volume generated by the acquired Géant hypermarkets and Wal-Mart stores contributed to our positive business development, reaching €2.3 billion. Without these acquisitions, Group sales rose by 7.4 percent in the reporting year.

On 17 January 2008, the Extra sales brand was sold to the Rewe Group, effective 1 July 2008. This transaction concerns 245 supermarkets with a combined sales volume of €1.6 billion in 2007. As a result, Extra is no longer included in METRO Group's portfolio of sales brands and is accounted for a discontinued operation of METRO Group. The financials were adjusted for the results of the Extra sales brand, and the previous year's figures – with the exception of the balance sheet – were adjusted accordingly.

In Germany, METRO Group raised its sales by 6.1 percent to €26.3 billion in 2007 (previous year: €24.8 billion). This increase was attributed mostly to the acquisition of Wal-Mart. Adjusted for this acquisition, sales were 0.7 percent higher than a year earlier. Group sales abroad rose by 13.6 percent to €38.0 billion (previous year: €33.5 billion). At 59.1 percent, the foreign share of Group sales reached a new record high. Excluding the acquired Géant hypermarkets in Poland, foreign sales were up 12.3 percent. Exchange rate effects supported foreign sales by +0.4 percentage points. Group sales in Western Europe were up by 5.7 percent to €20.5 billion (previous year: €19.4 billion). Dynamic growth was again generated in Eastern Europe, where sales increased by 24.4 percent to €15.7 billion (previous year: €12.6 billion). Even excluding the acquisition of Géant's Polish stores, sales in Eastern Europe rose by 21.0 percent. Organic growth was 3.4 percentage points higher than a year earlier. METRO Group increased sales by 26.8 percent to €1.8 billion in Asia and Africa.

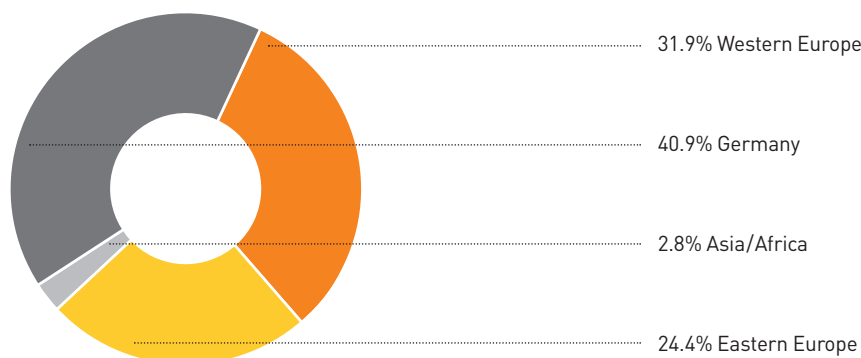
Development of Group sales by sales divisions and regions

	2007 € million	2006 ¹ € million	Change	
			€ million	%
Metro Cash & Carry	31,698	29,907	1,791	6.0
Real	11,003	8,775	2,228	25.4
Media Markt and Saturn	17,122	15,156	1,966	13.0
Galeria Kaufhof	3,556	3,609	(53)	(1.5)
Other companies	958	832	126	15.1
METRO Group	64,337	58,279	6,058	10.4
of which Germany	26,330	24,824	1,506	6.1
of which abroad	38,007	33,455	4,552	13.6
Western Europe	20,539	19,439	1,100	5.7
Eastern Europe	15,663	12,592	3,071	24.4
Asia/Africa	1,805	1,424	381	26.8

¹Adjustment of previous year's amounts due to discontinued operations

Group sales 2007

by region



Group EBIT of METRO Group increased by €90 million to €2,098 million in 2007. Adjusted for Extra and one-time effects in 2006 from the repositioning of Real, including the acquisitions of Wal-Mart Germany and the Géant business in Poland, EBIT rose by €170 million, or 8.8 percent, in the financial year 2007.

EBIT in Germany decreased to €582 million from €692 million. This decline was due mostly to the earnings effects related to the acquisition of the Wal-Mart Germany group in the previous year. Key growth driver of the business development came once again from the Group's foreign business, which posted a strong increase in earnings of 15.5 percent to €1,514 million. Particularly in Eastern Europe, EBIT rose by 26.4 percent to €805 million.

Group EBITDA increased from €3,242 million to €3,381 million in the reporting year. Adjusted for Extra as well as one-time effects in 2006 from the repositioning of Real including the acquisitions, EBITDA rose from €3,162 million to €3,381 million.

Development of Group and divisional EBIT

	2007 € million	2006 ¹ € million	Change	
			€ million	%
Metro Cash & Carry	1,243	1,111	132	11.9
Real	(16)	70 ²	(86)	–
Media Markt and Saturn	614	587	27	4.5
Galeria Kaufhof	107	82	25	31.3
Other companies/consolidation	150	158 ²	(8)	(5.2)
METRO Group	2,098	2,008²	90	4.5
Financial result	(519)	(444)	(75)	(16.9)
Earnings before taxes	1,579	1,564	15	1.0
Income taxes	(568) ³	(485)	(83)	(17.2)
Earnings from continuing operations	1,011	1,079	(68)	(6.3)

¹Adjustment of previous year's amounts due to discontinued operations and the preliminary accounting for business combinations in 2006

²EBIT of METRO Group in 2006 adjusted for the effects of the repositioning of Real including the acquisitions of the Wal-Mart Germany group and Géant's Polish business amounted to €1,928 million. The adjusted EBIT amounted to €19 million at Real and €129 million at the other companies/consolidation

³Includes special tax items of €–68 million

SALES AND EARNINGS DEVELOPMENTS OF THE SALES DIVISIONS

Metro Cash & Carry

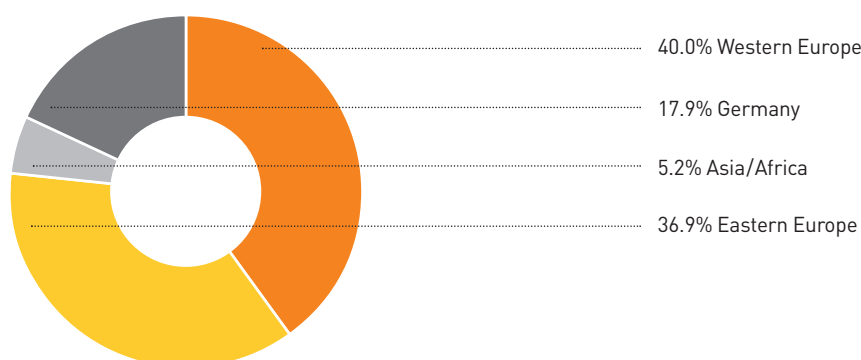
As a result of its consistent international expansion in particular, Metro Cash & Carry continued its strong growth: the sales division increased **sales** by 6.0 percent from €29.9 billion to €31.7 billion. Adjusted for currency effects, sales rose by 5.7 percent. Like-for-like sales increased by 2.6 percent. These successes underscored the sales division'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 0.5 percent to €5.7 billion. Like-for-like, the decline amounted to 1.8 percent. The sales division raised its foreign sales to €26.0 billion (previous year: €24.2 billion), an increase of 7.5 percent – or 7.2 percent adjusted for currency effects. Metro Cash & Carry recorded above-average growth in Russia, where sales climbed by 25.5 percent to €2.5 billion, as well as in Ukraine, where sales rose by 32.9 percent to €818 million. This development can be attributed mostly to the successful expansion of the sales brand's business model. Like-for-like sales also showed strong growth of 8 percent in Eastern Europe. The high foreign sales ratio increased once again, this time from 80.9 percent to 82.1 percent.

In 2007, Metro Cash & Carry strengthened its global market leadership in the wholesale segment by pushing ahead with the expansion of its international network of stores as well as its market entry into Pakistan. During the year, the sales division opened a total of 32 new stores, including 2 stores in Germany and 30 stores abroad. The international expansion focused on Eastern Europe with 16 new stores. 8 stores were added in Russia. Metro Cash & Carry expanded its network in Asia and Western Europe (excluding Germany) by 7 stores each. As the Group's most international sales division, Metro Cash & Carry operated 615 stores in 29 countries at the end of 2007. Its total selling space amounted to around 4.9 million square metres.

Sales of Metro Cash & Carry 2007

by region



Thanks to the positive sales development on a like-for-like basis in the growth regions, **EBIT** at Metro Cash & Carry rose substantially by 11.9 percent to €1,243 million (previous year: €1,111 million). Subsequently the EBIT margin was considerably higher than a year earlier. These positive earnings trends underscored the high earnings strength of our cash & carry stores.

Sales and EBIT of Metro Cash & Carry 2007 in year-to-year comparison

	2007	2006	Change in %	
			total	like-for-like
Sales in € million	31,698	29,907	6.0	2.6
Germany	5,671	5,698	[0.5]	[1.8]
Western Europe	12,682	12,632	0.4	0.0
Eastern Europe	11,702	10,160	15.2	8.0
Asia/Africa	1,643	1,417	15.9	4.9
EBIT in € million	1,243	1,111	11.9	–
EBIT margin in %	3.9	3.7	–	–
Number of stores ¹	615	584	–	–
Selling space [in 1,000 m ²] ¹	4,875	4,507	8.2	–

¹As of 31 December

Real

Excluding the Extra supermarkets, Real posted **sales growth** of 25.4 percent to €11.0 billion (previous year: €8.8 billion) in 2007. The increase was attributed to the acquisitions of Wal-Mart Germany, the Polish stores of Géant and the accelerated expansion in Eastern Europe. Adjusted for the acquisitions, sales increased by 5.3 percent.

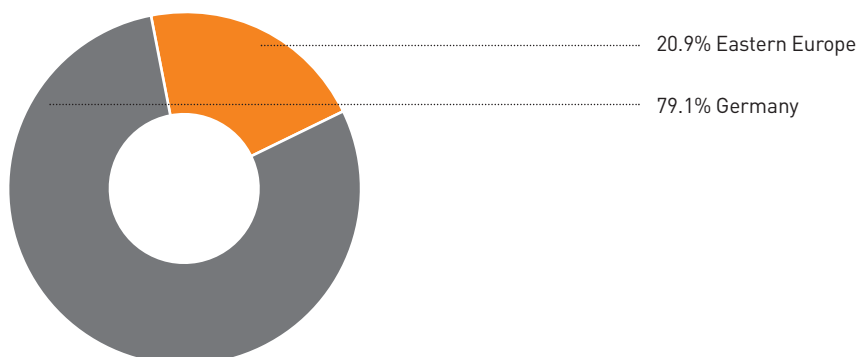
Sales growth in Germany amounted to 16.9 percent and resulted mainly from the takeover of Wal-Mart Germany, which was consolidated on 1 November 2006. On a like-for-like basis, sales declined only slightly by 0.4 percent. However, sales increased markedly during the fourth quarter. Overall, Real's sales development continued to stabilise.

Aside from converting the Wal-Mart stores to Real, the sales division also adopted a new concept format in 32 other stores during the reporting year, raising the number of these concept stores to 37. They received a positive response from customers and posted above-average business development in 2007.

Real consistently continued its selective expansion in Eastern Europe and raised sales in this region by 73.0 percent to €2.3 billion. Organic growth accounted for 42.7 percent of this sales increase and the acquisition of Géant's Polish business for 30.3 percent. Following the successful market entry in Romania in 2006, Real extended its sales network in this country by 6 hypermarkets, raising the total to 14, all of which showed positive sales developments. 4 new stores were opened in Russia, and the Turkish store network was expanded by 3 to 11 stores. In the course of the integration of Wal-Mart Germany to Real, 24 stores were closed during the financial year. Overall, Real operated 434 hypermarkets at the end of the reporting year (previous year: 442 stores), Real had 349 German and 85 foreign stores.

Sales of Real 2007

by region



Excluding the Extra supermarkets, Real's **EBIT** amounted to €-16 million in the financial year 2007 compared with €70 million a year earlier. The prior-year's figure included a one-off earnings effect related to the repositioning of Real, including the acquisitions of the Wal-Mart Germany group and the Géant business in Poland (€51 million). This prior-year amount includes €-33 million earnings from the Wal-Mart Germany group and the Géant business in Poland. Compared with the previous year's adjusted figure of €19 million, EBIT declined by €35 million. The key reason for this was that this result included the higher costs of Real's selective expansion in Eastern Europe, which arose from the strong expansion pace in Romania and the start-up costs for the planned market entry in Ukraine. EBIT in Germany fell just short of the previous year's result, with expenses from the repositioning of the Real brand and the integration of Wal-Mart being contrasted by real estate divestments.

Sales and EBIT of Real 2007 in year-to-year comparison

	2007	2006 ¹	Change in %	
			total	like-for-like
Sales in € million	11,003	8,775	25.4	0.2
Germany	8,707	7,448	16.9	(0.4)
Eastern Europe	2,296	1,327	73.0	3.3
EBIT in € million	(16)	70 ²	-	-
EBIT margin in %	(0.2)	0.7	-	-
Number of stores ³	434	442	-	-
Selling space (in 1,000 m ²) ³	3,103	3,158	(1.7)	-

¹Adjustment of previous year's amounts due to discontinued operations and the preliminary accounting for business combinations in 2006

²EBIT in 2006 amounted to €19 million adjusted for one-time effects

³As of 31 December

Media Markt and Saturn

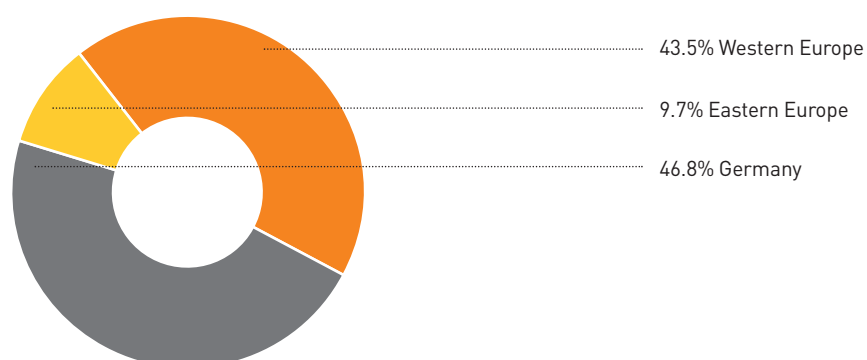
The Media Markt and Saturn group posted another significant increase in sales for the reporting year and continued to strengthen its leading position in European consumer electronics retailing. **Sales** in 2007 rose by 13.0 percent from €15.2 billion to €17.1 billion. For the first time, more than half of these sales were generated abroad. Like-for-like sales increased by 2.7 percent year-on-year.

Sales in Germany rose from €7.6 billion to €8.0 billion. Media Markt and Saturn exceeded the previous year's high level by an additional 4.7 percent and continued to gain further market share. On a like-for-like basis, sales increased by 1.2 percent despite the growing store density. Given the already high prior-year value, this development is particularly pleasing. Media Markt and Saturn once again posted strong sales growth in their international business, with sales up by 21.4 percent from €7.5 billion to €9.1 billion. The foreign share of total sales increased from 49.5 percent to 53.2 percent.

Media Markt and Saturn opened 84 new locations during the past financial year, 20 new openings more than a year earlier. As a result, the sales division's growth rate set a company record. Of the 13 stores opened in Germany, Media Markt opened 7 and Saturn 6. Abroad, Media Markt opened 50 and Saturn 21 new stores, respectively. As a result of optimisation measures, 3 French stores were closed. Since its market entry in Turkey in September 2007, Media Markt is represented in 15 countries with a total selling space of 2.2 million square metres. At the end of 2007, the store network of Media Markt and Saturn comprised 702 stores – 353 in Germany and 349 abroad.

Sales of Media Markt and Saturn 2007

by region



Media Markt and Saturn increased **EBIT** from €587 million to €614 million during the past financial year, an increase of 4.5 percent compared with the previous year. As expected, high start-up costs that incurred during the expansion in Russia and Sweden as well as at market entry in Turkey had an effect on EBIT.

Sales and EBIT of Media Markt and Saturn 2007 in year-to-year comparison

	2007	2006	Change in %	
			total	like-for-like
Sales in € million	17,122	15,156	13.0	2.7
Germany	8,005	7,649	4.7	1.2
Western Europe	7,453	6,403	16.4	3.0
Eastern Europe	1,664	1,104	50.7	11.5
EBIT in € million	614	587	4.5	–
EBIT margin in %	3.6	3.9	–	–
Number of stores ¹	702	621	–	–
Selling space (in 1,000 m ²) ¹	2,213	1,914	15.6	–

¹As of 31 December

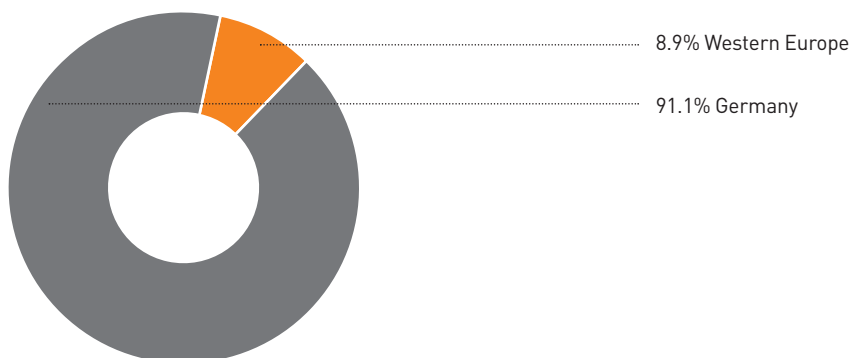
Galeria Kaufhof

At €3.6 billion, **sales** at our division Galeria Kaufhof were 1.5 percent lower than a year earlier. On a like-for-like basis, sales fell by 1.7 percent. This development could be attributed mostly to the burden from the increase in Germany's value-added tax. Gross sales, in turn, exceeded the prior-year value. Christmas sales were in line with expectations. Continuing their very positive growth development, the Belgian Galeria Inno department stores increased sales by 5.7 percent to €316 million.

Focusing on the rigorous implementation of its brand strategy, Galeria Kaufhof managed to further sharpen its profile to provide an unmistakable lifestyle approach to department store shopping in 2007. Aside from the flagship store on Berlin's Alexanderplatz, Galeria Kaufhof now also presents the "World Class Shopping" concept with redesigned "lifestyle worlds" in Hanover and Bonn. However, even smaller stores, like the store in Berlin's Ringcenter, which was opened during the reporting year, are being well-received by customers. At the end of 2007, Galeria Kaufhof operated a total of 141 department stores.

Sales of Galeria Kaufhof 2007

by region



Galeria Kaufhof's **EBIT** rose significantly to €107 million during the reporting year, an increase of 31.3 percent compared with the previous year's level. This improvement in earnings resulted above all from an even more effective cost management and customer-focused assortment optimisation. In addition, process efficiency was enhanced and inventory management optimised.

Sales and EBIT of Galeria Kaufhof 2007 in year-to-year comparison

	2007	2006	Change in %	
			total	like-for-like
Sales in € million	3,556	3,609	(1.5)	(1.7)
Germany	3,240	3,311	(2.1)	(2.5)
Western Europe	316	298	5.7	6.0
EBIT in € million	107	82	31.3	–
EBIT margin in %	3.0	2.3	–	–
Number of stores ¹	141	142	–	–
Selling space (in 1,000 m ²) ¹	1,486	1,487	(0.1)	–

¹As of 31 December**Other companies/consolidation**

In addition to the consolidation, the segment “other companies/consolidation” comprises METRO AG, the cross-divisional service companies, the Adler fashion stores as well as our restaurant group Dinea. During the reporting year, **sales** exceeded the previous year’s level, due especially to the business with Asian imports for third parties. **EBIT** in the “others” segment fell slightly short of the previous year’s figure.

PORTFOLIO OF LOCATIONS

Locations per country

	Metro C&C		Real		Media Markt and Saturn		Galeria Kaufhof		Other companies		METRO Group	
Country	2007	2006	2007	2006 ²	2007	2006	2007	2006	2007	2006	2007	2006 ²
Germany	122	120	349	371	353	340	126	127	309	312	1,259	1,270
Austria	12	12			31	28			18	16	61	56
Belgium	10	9			14	11	15	15			39	35
Denmark	5	4									5	4
France	89	86			25	24					114	110
Italy	48	47			88	76					136	123
Luxembourg									2	2	2	2
Netherlands	16	16			27	23					43	39
Portugal	10	10			7	4					17	14
Spain	34	34			48	39					82	73
Sweden					8	2					8	2
Switzerland					18	17					18	17
United Kingdom	33	33									33	33
Total Western Europe ¹	257	251			266	224	15	15	20	18	558	508
Bulgaria	8	8									8	8
Croatia	6	6									6	6
Czech Republic	12	12									12	12
Greece	8	7			7	5					15	12
Hungary	13	13			20	16					33	29
Moldova	3	3									3	3
Poland	26	25	50	49	42	33					118	107
Romania	23	23	14	8							37	31
Russia	39	31	10	6	11	3					60	40
Serbia	5	5									5	5
Slovakia	5	5									5	5
Turkey	11	10	11	8	3						25	18
Ukraine	18	13									18	13
Total Eastern Europe	177	161	85	71	83	57					345	289
China	37	33									37	33
India	3	3									3	3
Japan	3	3									3	3
Morocco	7	6									7	6
Pakistan	1										1	
Vietnam	8	7									8	7
Total Asia / Africa	59	52									59	52
Abroad	493	464	85	71	349	281	15	15	20	18	962	849
Total	615	584	434	442	702	621	141	142	329	330	2,221	2,119

¹Excluding Germany

²Adjustment of previous year's amounts due to discontinued operations

FINANCIAL RESULTS AND TAXES

€ million	2007	2006 ¹
Earnings before interest and taxes (EBIT)	2,098	2,008
Result from associated companies	0	0
Other investment results	11	14
Interest income/expenses (net result)	(493)	(460)
Other financial results	(37)	2
Net financial income	(519)	(444)
Earnings before taxes EBT	1,579	1,564
Income taxes	(568)²	(485)
Income from continuing operations	1,011	1,079
Income from discontinued operations after taxes	(28)	117
Net profit for the period	983	1,196

¹Adjustment of previous year's amounts due to discontinued operations and preliminary accounting for business combinations in 2006

²Includes special tax items totalling €-68 million

Financial results

The other financial result stemmed largely from exchange rate effects and hedging transactions. The total result from exchange rate effects and hedging transactions was €-22 million, compared with €+10 million a year earlier. It was primarily the result of local currency financing arrangements in Russia and Romania.

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

Taxes

€ million	2007	2006 ¹
Taxes paid or due	576	585
thereof in Germany	[158]	[196]
thereof outside Germany	[418]	[389]
Deferred taxes	(8)	(100)
Income taxes	568	485

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

Income taxes included special tax items of €68 million resulting from the revaluation of deferred tax assets and liabilities as part of the German corporate tax reform as well as from the fiscal divestment of the Extra sales brand.

Additional information about income taxes is contained in the notes to the consolidated financial statement under no. 11.

GROUP NET PROFIT AND EARNINGS PER SHARE

In 2007, net profit for the period (Group net profit) totalled €983 million, 17.8 percent lower than the previous year. Net of minority interests, the Group's net profit allocable to the shareholders of METRO AG amounted to €825 million.

In the financial year 2007, METRO Group generated earnings per share of €2.52. Earnings per share from continuing operations before special items, i.e. adjusted for special tax items of €–68 million, amounted to €2.82. This represents an increase of 3.7 percent over the previous year's total of €2.72. There was no dilution in the reporting year or in the previous year.

As in the previous year, the calculation for the financial year 2007 was based on a weighted number of 326,787,529 shares. The Group's net profit of €825 million allocable to shareholders was distributed according to this number of shares.

		2007	2006 ¹	Change	
				absolute	%
Income from continuing operations	€ million	1,011	1,079	(68)	(6.3)
Income from discontinued operations	€ million	(28)	117	(145)	–
Net profit for the period	€ million	983	1,196	(213)	(17.8)
thereof allocable to minorities	€ million	158	137	21	15.8
thereof allocable to shareholders of METRO AG	€ million	825	1,059	(234)	(22.1)
Earnings per share ^{2, 3}	€	2.52	3.24	(0.72)	(22.1)
Earnings per share from continuing operations before special items ^{3, 4}	€	2.82	2.72	0.10	3.7

¹Adjustment of previous year's amounts due to discontinued operations and the preliminary accounting for business combinations in 2006

²Including discontinued operations

³After minority interests

⁴In 2006 adjusted for the effects of the repositioning of Real, including the acquisitions of the Wal-Mart Germany group and the Polish Géant business; in 2007 adjusted for special tax items

BALANCE SHEET PROFIT OF METRO AG AND PROFIT APPROPRIATION

For the financial year 2007, METRO AG posted investment income of €696.6 million compared with €894.2 million in the previous year. In consideration of other income, expenditures and taxes as well as the transfer of €240.0 million into revenue reserves, the company reported a balance sheet profit of €395.1 million compared with €435.4 million in 2006.

The Management Board of METRO AG will propose to the Annual General Meeting that, from the reported balance sheet profit of €395.1 million, a dividend of €385.9 million be paid and that the balance of €9.2 million be carried forward to the new account. The balance sheet profit of €395.1 million includes retained earnings of €69.1 million. The dividend proposed by the Management Board amounts to

- €1.180 per ordinary share
- €1.298 per preference share.

DEVELOPMENT OF ECONOMIC VALUE ADDED (EVA)

Value-creating management forms the foundation for sustainable profitable growth

METRO Group is committed to value-creating management based on Economic Value Added (EVA). This is an internationally recognised control and management system that makes it possible to measure all strategic and operational activities on the basis of their contribution to increasing company value and to make decisions according to it. This applies, in particular, to investment decisions. METRO Group introduced the EVA system across the Group in 2000.

METRO Group's strength is reflected in its ability to continuously increase the company's value through growth and the efficient deployment of its capital.

Calculation of Weighted Average Cost of Capital (WACC)

(Weighted total cost of capital, or Group WACC)

EQUITY COST OF CAPITAL

Risk-free rate of return	4.2%
+	
Market risk premium	5.0%
x Beta factor	1.0
(specific risk premium for METRO Group)	
=	9.2%

DEBT COST OF CAPITAL

Risk-free rate of return	4.2%
+	
Average, long-term risk premium	1.5%
=	5.7%
- Tax effect (40%)	-2.3%
=	3.4%

Weighting at market rates 54%

Weighting at market rates 46%

6.5% of Group WACC

Positive EVA is achieved when the Net Operating Profit after Tax (NOPAT) exceeds the cost of capital needed to finance the capital employed. 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 capital employed by the Weighted Average Cost of Capital (WACC). In 2007, the cost of capital rate of METRO Group remained unchanged from the previous year at 6.5 percent.

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

Development of EVA

In 2007, METRO Group once again achieved positive EVA and thus made successful use of its capital employed. METRO Group's EVA reached €538 million, compared with €426 million in the previous year. Metro Cash & Carry as well as Media Markt and Saturn once again posted a significant increase in EVA compared with the previous year's total. Galeria Kaufhof also markedly increased its EVA and, for the first time since the introduction of EVA, earned its cost of capital in 2007. At 9.0 percent, the RoCE (Return on Capital Employed) exceeded the previous year's result.

Development of EVA

	NOPAT € million	Capital employed € million	EVA € million	RoCE %	Delta EVA ¹ € million
Metro Cash & Carry	1,005	6,891	557	14.6	88
Real	113	6,215	[291]	1.8	[4]
Media Markt and Saturn	480	2,557	314	18.8	20
Galeria Kaufhof	76	1,071	6	7.1	33
Other companies/consolidation	257	4,693	[48]	–	[25]
METRO Group	1,931	21,427	538	9.0	112

¹Delta EVA is based on adjusted previous year's amounts

The cost of capital was reduced by €79 million to €1,393 million, due mostly to the divestment of Extra being taken into account within the EVA calculation. NOPAT rose by €33 million to €1,931 million.

IV. FINANCIAL AND ASSET POSITION

FINANCIAL MANAGEMENT

Principles governing Group-wide financial activities

METRO AG is responsible for the centralised financial management of METRO Group. METRO AG acts to ensure 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 over a 12-month planning period. It is updated quarterly and complemented by rolling 14-day liquidity plans.

Planning, management and settlement handled by METRO AG

Loan placement and provision of security as well as the granting of financial support in the form of guarantees and letters of comfort for Group companies are also controlled centrally by METRO AG. The following principles apply to all Group-wide financial activities:

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

Financial manoeuvrability In its relationships with banks and other business partners in the financial arena, METRO Group consistently maintains its manoeuvrability 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 financial partner with another at any time.

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

Centralised 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 authorised contractual partners METRO Group conducts financial transactions only with contractual partners who have been authorised 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 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 only after METRO AG has given its approval.

Audit security The two-signature principle applies within METRO Group. All processes and responsibilities are defined in Group-wide guidelines. The conclusion of financial transactions is separated from settlement and controlling in organisational 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 prove METRO Group's credit rating to potential debt capital investors. As in the previous year, METRO Group is rated as follows by two major international rating agencies:

Rating

Category	2007	
	Moody's	Standard & Poor's
Long-term	Baa2	BBB
Short-term	P-2	A-2
Outlook	stable	stable

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

Financing measures

The "Debt Issuance Programme" launched in 2000 serves as a source of long-term financing. In 2007, we conducted the following transactions in the context of this programme:

Financing measures

Type of transaction	Issuance date	Maturity	Maturity date	Nominal volume	Coupon
New issue	May 2007	5 years	May 2012	€500 million	4.75%
Redemption	May 2001	6 years	May 2007	€100 million	5.90%
Redemption	October 1997	10 years	October 2007	€128 million	5.00%
Redemption	November 1997	10 years	November 2007	€72 million	5.75%

In addition, METRO Group redeemed fixed-rate promissory notes totalling €332 million with maturities of 9 and 10 years, respectively, during the reporting year.

For short- and medium-term financing, METRO Group uses ongoing capital market issuance programmes, among others. These include the "Euro Commercial Paper Program" launched in 1999 and another "Commercial Paper Program" geared especially towards French investors. The average amount utilized from both programmes was €1,723 million in 2007. In addition, METRO Group used bilateral bank facilities totalling €1,647 million as at the year-end closing.

Despite the global financial market turmoil caused by the U.S. subprime crisis in the second half of the year, METRO Group was able to generate sufficient liquidity via its established issuing programmes and/or credit facilities at all times. Furthermore, long-term maturities had already been refinanced by a bond issue with a volume of €500 million in May 2007.

For further information on financing programmes and credit facilities, see the notes to the consolidated statements under no. 37 ("Financial Liabilities")

INVESTMENTS/DIVESTMENTS

In the financial year 2007, METRO Group invested €2.2 billion, €0.8 billion less than the prior-year level of €3.0 billion. This included acquisition-related investments of €1.0 billion, of which €0.7 billion did not lead to any outflow of funds. As a result, investments in existing concepts and organic growth rose by €0.2 billion in 2007. During the reporting year, the largest share of investments was used to continue the international expansion of the growth drivers Metro Cash & Carry as well as Media Markt and Saturn, with their especially high sales and earnings.

Investments of METRO Group 2007

€ million	2007	2006 ¹	Change	
			absolute	%
Metro Cash & Carry	859	928	(69)	(7.4)
Real	345	863	(518)	(60.1)
Media Markt and Saturn	463	370	93	25.4
Galeria Kaufhof	107	151	(44)	(29.4)
Other companies	388	699	(311)	(44.5)
METRO Group	2,162	3,011	(849)	(28.2)

¹Adjustment of previous year's amounts due to discontinued operations and the preliminary accounting for business combinations in 2006

Metro Cash & Carry invested a total of €0.9 billion during the reporting year, nearly in line with the previous year's level. Metro Cash & Carry opened a total of 32 new stores worldwide. Investments continued to focus on the growth regions in Asia and Eastern Europe. In China, the existing store network was expanded by 4 stores, in Russia by 8 and in Ukraine by 5. Metro Cash & Carry also modernised numerous stores in Western Europe and continued to densify its store network in this region.

At Real, investments declined by €0.5 billion to €0.3 billion in the financial year 2007. The previous year's investments included the acquisition of the Wal-Mart Germany group and the Polish Géant business (totalling €0.5 billion). A total €0.2 billion was invested in the sales brand's expansion during the financial year, and €0.1 billion in the integration of the Wal-Mart locations. All in all, Real expanded its store network by 16 new stores: 6 in Romania, 4 in Russia, 3 in Turkey, 2 in Germany and 1 in Poland.

Media Markt and Saturn invested €0.5 billion in 2007, €0.1 billion more than a year earlier. These funds were primarily used to open 84 new stores and enter the Turkish market. In addition, consumer electronics stores across Europe were remodelled and modernised. The focus of these activities was Germany.

Investments at Galeria Kaufhof amounted to €0.1 billion in the financial year 2007. The key focus here was on extensive store modernisation based on the Galeria concept in Germany and Belgium, the "World Class Shopping" conversions in Hanover and Bonn as well as the new opening of the store at Berlin's Ringcenter.

The investment volume of other companies totalled €0.4 billion in the reporting year, €0.3 billion less than a year earlier. The investments could be attributed largely to intangible assets, the modernisation of existing real estate, as well as the development of new property locations that are being rented primarily to METRO Group sales divisions. Investments made during the previous year primarily involved the acquisition of 19 locations of the Wal-Mart Germany group.

Information on investment obligations, which amounted to a total of €0.3 billion, is included in the notes to the consolidated financial statements no. 20 ("Other intangible assets") and no. 21 ("Tangible assets").

From divestments, METRO Group received cash and cash equivalents of €0.7 billion, which resulted primarily from the sale of real estate. 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. 41 ("Notes to the consolidated cash flow statement").

CONSOLIDATED CASH FLOW STATEMENT¹

The cash flow statement serves to identify and display the cash flows that METRO Group generated or employed in the financial year from current operating, investing and financing activities. In addition, it shows the cash positions at the beginning and at the end of the financial year.

Cash flow

€ million	2007	2006 ²
Cash flow from operating activities of continuing operations	3,200	3,277
Cash flow from operating activities of discontinued operations	(8)	(14)
Cash flow from operating activities (total)	3,192	3,263
Cash flow from investing activities of continuing operations	(1,231)	(1,283)
Cash flow from investing activities of discontinued operations	(35)	(19)
Cash flow from investing activities (total)	(1,266)	(1,302)
Cash flow from financing activities of continuing operations	(1,257)	(1,026)
Cash flow from financing activities of discontinued operations	41	31
Cash flow from financing activities (total)	(1,216)	(995)
Total cash flows	710	966
Currency effects on cash and cash equivalents	1	(1)
Change in cash and cash equivalents (total)	711	965

¹Abridged version. The complete version is shown in the consolidated financial statements and the notes to the consolidated financial statements no. 41

("Notes to the consolidated cash flow statement")

²Adjustment of previous year's amounts due to discontinued operations and the preliminary accounting for business combinations in 2006

During the reporting year, total cash flow of €3,200 million (previous year: €3,277 million) was generated from current operating activities of continuing operations. Investment activities of continuing operations led to cash outflows of €1,231 million (previous year: €1,283 million) during the reporting year. The acquisition of the Wal-Mart Germany group resulted in cash inflows of €186 million (previous year: €108 million) during the reporting year. Cash flow from financing activities of continuing operations showed outflows of €1,257 million (previous year: €1,026 million).

CAPITAL STRUCTURE

Capital structure of METRO Group in € million

		Assets		Liabilities	
Inventories/current	7,328	22%	21%		
Other current assets	7,662	23%	20%	38%	42%
				15%	17%
Tangible and intangible assets	17,443	51%	54%	28%	22%
Other non-current assets	1,439	4%	5%	19%	19%
		2007	2006	2006	2007
		33,872	32,190	32,190	33,872

14,088 Trade liabilities/current

5,918 Other debt capital/current

7,357 Debt capital/non-current

6,509 Equity

At the end of 2007, METRO Group's balance sheet showed equity of €6,509 million compared with €6,050 million in the previous year. The increase in equity was attributed to a rise in revenue reserves that, taking the dividend payment in 2006 (€366 million) into consideration, essentially derived from the contribution of period income for 2007 allocable to shareholders of METRO AG. The equity ratio rose 0.4 percentage points to 19.2 percent. The share of revenue reserves in equity totalled 44.2 percent compared with 40.6 percent in the previous year.

€ million	Note no.	31 Dec 2007	31 Dec 2006 ¹
Equity	32	6,509	6,050
Subscribed capital		835	835
Capital reserves		2,544	2,544
Reserves retained from earnings		2,876	2,454
Minority interests in equity		254	217

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

Net financial debt after netting of cash and cash equivalents as well as fixed-interest investments (of more than three months and less than one year duration) with financial debts, including finance leases, totalled €4,300 million compared with €5,247 million in 2006. Non-current financial liabilities declined by €1,249 million to €5,030 million during the reporting year; current financial liabilities increased by €960 million to €2,708 million. During the financial year 2007, cash and cash equivalents rose by €701 million to €3,433 million.

€ million	31 Dec 2007	31 Dec 2006 ¹
Cash, cash equivalents according to balance sheet	3,433	2,732
Fixed-term investments >3 months <1 year ²	5	48
Financial liabilities including finance leases	7,738	8,027
Net debt	4,300	5,247

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

²Shown in the balance sheet under "Other receivables and assets (current)"

The debt capital ratio declined by 0.4 percentage points to 80.8 percent. Deferred tax liabilities fell by €281 million to €183 million. This decline can be attributed above all to the devaluation of deferred tax liabilities in Germany as a result of the corporate tax reform as well as higher netting due to the inclusion of Real Germany into the METRO AG tax group. Current liabilities account for a share of 73.1 percent of total debt capital compared with 65.9 percent in the previous financial year. Trade payables increased in 2007 by €1,672 million to €14,088 million. The rise was attributed primarily to the – especially international – expansion of the sales divisions Metro Cash & Carry and Real, as well as Media Markt and Saturn.

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. 37 ("Financial liabilities").

€ million	Note no.	31 Dec 2007	31 Dec 2006 ¹
Non-current liabilities		7,357	8,902
Provisions for pensions and similar commitments	33	973	1,023
Other provisions	34	524	511
Financial liabilities	35, 37	5,030	6,279
Other liabilities	35, 38	647	625
Deferred tax liabilities	25	183	464
Current liabilities		20,006	17,238
Trade payables	35, 36	14,088	12,416
Provisions	34	576	715
Financial liabilities	35, 37	2,708	1,748
Other liabilities	35, 38	2,267	2,031
Income tax liabilities	35	337	304
Liabilities connected to non-current assets held for sale	31	30	24

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

Further information on the development of liabilities can be found in the notes to the consolidated financial statements under the numbers listed in the table.

ASSET POSITION

In the financial year 2007, total assets increased by €1,682 million to €33,872 million. Non-current assets declined by €132 million to €18,882 million during the financial year 2007 while current assets increased by €1,814 million to €14,990 million.

Non-current assets

€ million	Note no.	31 Dec 2007	31 Dec 2006 ¹
Non-current assets		18,882	19,014
Goodwill	18, 19	4,328	4,395
Other intangible assets	18, 20	515	473
Tangible assets	18, 21	12,332	12,095
Investment properties	18, 22	116	136
Financial assets	18, 23	152	139
Other receivables and assets	24	490	535
Deferred tax assets	25	949	1,241

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

The increase in tangible assets of €237 million primarily resulted from the opening of new stores at the sales divisions Metro Cash & Carry, Real, and Media Markt and Saturn. The decline in deferred tax assets of €292 million was due largely to the devaluation of deferred taxes in Germany as a result of the corporate tax reform as well as higher netting due to the inclusion of Real Germany into the METRO AG tax group.

Further information on the development of non-current assets is shown in the notes to the consolidated financial statements under the numbers listed in the table.

Current assets

€ million	Note no.	31 Dec 2007	31 Dec 2006 ¹
Current assets		14,990	13,176
Inventories	26	7,328	6,640
Trade receivables	27	508	481
Financial assets		28	21
Other receivables and assets	24	3,076	2,858
Income tax refund entitlements		275	279
Cash and cash equivalents	30	3,433	2,732
Non-current assets held for sale	31	342	165

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

Inventories increased by €688 million to €7,328 million. The increase was attributed primarily to the expansion of the international business of Metro Cash & Carry as well as Media Markt and Saturn sales divisions. The rise in cash and cash equivalents by €701 million to €3,433 million primarily resulted from the positive sales development at the Media Markt and Saturn as well as Metro Cash & Carry sales divisions during the second half of December and from the divestment of real estate at the end of the year. In the previous financial year, the item "non-current assets held for sale" included properties that were sold in May 2007. In 2007, assets to the amount of €322 million in connection with the disclosure of Extra as a discontinued operation were transferred to this item. In addition, a piece of land was classified as a "non-current asset held for sale".

Further information on the development of current assets is shown in the notes to the consolidated statements under the numbers listed in the table.

V. EMPLOYEES

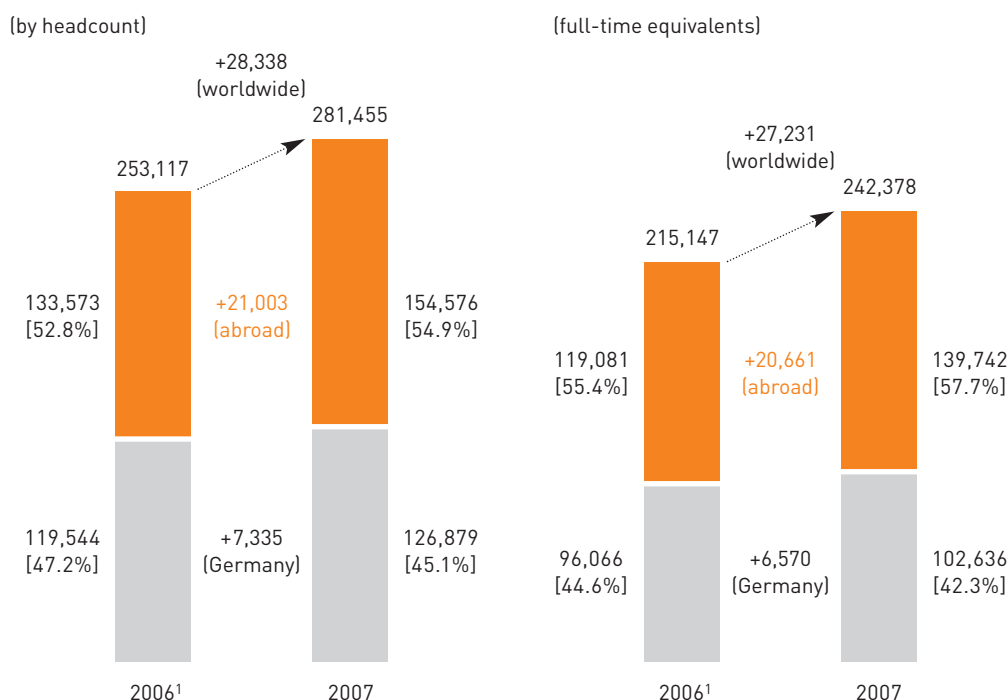
EMPLOYEE NUMBERS REFLECT INTERNATIONAL GROWTH

With more than 280,000 employees, METRO Group ranks among the world's largest employers

From people for people – employees and their commitment to the customer play a special role in the trade and retail sector. Around the world, highly motivated employees stand behind the success of METRO Group. Not counting apprentices, the Group employed an average of 281,455 people in 2007. The total number of employees (full-time equivalents) rose by 27,231, or 12.7 percent, to 242,378.

Our progressive international expansion is boosting our workforce abroad in particular. Over the year, the number of foreign workers (full-time equivalents) increased by an average of 20,661 to 139,742. Their share of our workforce thus rose from 55.4 percent to 57.7 percent. About 9 out of 10 employees outside of Germany worked in European countries – including 51,750 in Western Europe and 74,021 in Eastern Europe. With growth of 27.4 percent, the workforce increased particularly fast in the Eastern European growth regions.

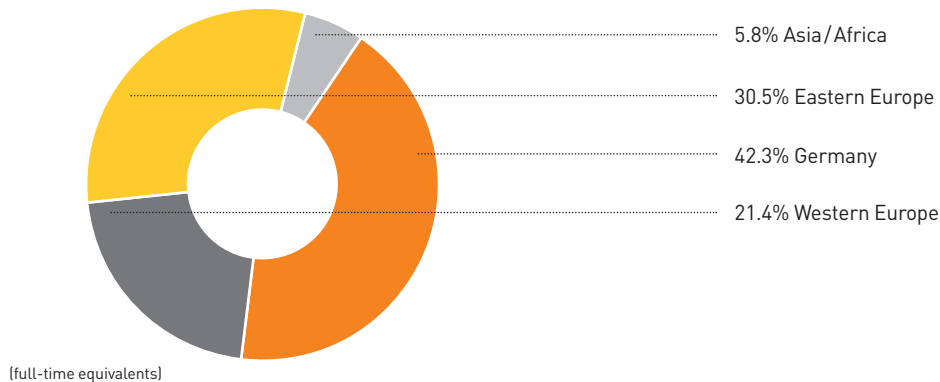
Workforce of METRO Group in 2007 in year-to-year comparison



¹Adjustment of previous year's amounts due to discontinued operations

METRO Group employees

by region



Lower share of part-time workers

Contrary to sector trends, the share of part-time workers declined to 34.3 percent (previous year: 37.5 percent) across the Group and to 48.2 percent (previous year: 48.5 percent) across Germany. Employees' average age fell slightly from 36.1 to 35.8 years. Average tenure declined from 7.6 to 7.4 years.

Human resources policy tackles challenges

People are getting older and birthrates are sinking. This demographic development is changing the structure of Europe's population. In the coming years, companies will have fewer qualified workers and executives at their disposal. In order to remain competitive under these altered parameters, METRO Group is working with far-sighted 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. In addition, METRO Group encourages an understanding of health and greater health awareness. Group-wide health promotion increases our employees' vitality and creates the conditions they need to remain active in the workforce for a longer period of time.

**Health management
supports active
working life**

As a result of the shortage of qualified workers, work-life balance is becoming increasingly important. METRO Group was among the first companies to address this trend. In 2007, the berufundfamilie® (work and family) audit was conducted at the Campus Düsseldorf. This certification testifies to the family-friendly human resources policy of all sales divisions and cross-divisional service companies, and supports our continued development as a family-friendly employer.

Attractive vocational training in retail

Training programmes for performance-oriented young people represent a key contribution to society and an investment in the company's long-term business success. Each year, thousands of young people learn one of around 20 occupations in our sales divisions and companies – from retail merchant to information electronics specialist. Across Germany, 3,043 school-leavers began their training at

**METRO Group
is one of the major
providers of
vocational training
in Germany**

METRO Group in the financial year 2007 – 5.8 percent more than a year earlier. On a yearly average, the total number of apprentices in Germany increased to 8,766, exceeding the high level of the previous year by 1.8 percent. At 8.5 percent, the share of apprentices shows our significant contribution to Germany's National Pact for Training. At the same time, it places METRO Group among the major providers of vocational training in Germany.

METRO Group also offers attractive training opportunities for disabled people. For example, METRO Group has initiated the "VAmB" project ("Verzahnte Ausbildung mit den Berufsbildungswerken"). This is an integrated training programme being carried out in cooperation with vocational education centers. Here, young people with learning disabilities can combine theoretical training in the vocational training centres with practical training in the stores and locations of METRO Group. In 2007, the project was awarded the initiative prize "Aus- und Weiterbildung des Deutschen Industrie- und Handelskammertages (DIHK)" (prize for vocational and advanced education) by the German Chambers of Industry and Commerce.

Diversity – a competitive edge

METRO Group considers itself an "Equal Opportunity Employer". It offers the same opportunities to all applicants and employees regardless of sex, age, race, ethnic background, sexual identity, possible disabilities, religion or beliefs.

**METRO Group
profits from
its employees'
multicultural
background**

Worldwide, METRO Group employs people from 159 countries. In Germany alone, 138 nationalities are represented. With our "Advantage: Diversity!" initiative, we enable each employee to grow according to his or her performance and abilities. Multicultural differences harbour extraordinary opportunities. To tap special expertise even better, in 2007 METRO Group established an integration programme for new employees that is aimed particularly at migrant employees. This programme, called "NewIn", was awarded the Robert Jungk Prize by the Städtenetzwerk NRW (City Network NRW) as well as the ENTERPreis by the state of North Rhine-Westphalia.

In the reporting year, we employed 4,449 (previous year: 4,208) people with recognised severe disabilities in Germany, including 55 apprentices. Added to this must be 832 employees with equivalent legal status. Nearly 27 percent of our 126,879 domestic employees belong to the 50-plus age group. In 2007, 787 employees over the age of 50 were hired in Germany and 1,463 abroad. The share of women in management positions amounts to 19.7 percent and is to be increased continually.

Continuing strong interest in the company pension plan

In light of the rising retirement age and foreseeable reductions in retirement benefit levels, it is becoming increasingly important to plan for retirement. Our "Future Package" helps employees build their supplemental pension plan. The Group-wide pension programme provides additional voluntary benefits that go beyond the stipulations of collective-bargaining agreements and has been embraced by employees. In the reporting year, nearly 63,000 employees signed up for this programme in Germany.

Development of employee numbers by country and sales division (average full-time equivalents)¹

	Metro C&C		Real ²		Media Markt and Saturn		Galeria Kaufhof		Other companies		METRO Group	
Country	2007	2006	2007	2006 ³	2007	2006	2007	2006	2007	2006	2007	2006 ³
Germany	15,338	15,384	34,932	29,848	21,395	20,097	17,555	17,773	13,416	12,964	102,636	96,066
Belgium	2,842	2,753			999	814	1,265	1,270			5,106	4,837
Denmark	539	498									539	498
France	8,411	8,275			1,537	1,500			7	7	9,955	9,783
Italy	4,230	4,315			5,555	4,837			13	3	9,798	9,154
Luxembourg									67	70	67	70
Netherlands	3,088	3,111			1,853	1,693			7	6	4,948	4,811
Austria	1,923	1,986			1,949	1,852			423	501	4,295	4,339
Portugal	1,757	1,859			578	433					2,335	2,292
Sweden					511	133					511	133
Switzerland					1,141	1,065			84	82	1,225	1,147
Spain	3,248	3,105			5,420	4,328			13	2	8,680	7,435
United Kingdom	4,292	4,405									4,292	4,405
Total Western Europe ⁴	30,330	30,308	0	0	19,542	16,656	1,265	1,270	614	671	51,750	48,905
Bulgaria	2,243	2,174							9	6	2,252	2,181
Greece	1,123	1,107			655	355			11	8	1,789	1,471
Croatia	1,407	1,247									1,407	1,247
Moldova	759	516									759	516
Poland	6,624	6,263	10,526	6,914	4,462	3,446			535	497	22,147	17,120
Romania	6,263	6,335	4,514	1,947					211	100	10,987	8,382
Russia	9,242	7,449	2,898	1,178	1,203	222			167	106	13,510	8,955
Serbia	1,223	1,061									1,223	1,061
Slovakia	1,281	1,218									1,281	1,218
Czech Republic	3,371	3,330									3,371	3,330
Turkey	2,326	2,078	1,842	1,229	164				270	212	4,601	3,519
Ukraine	5,739	4,365	23						7		5,769	4,365
Hungary	3,248	3,402			1,625	1,334			51	18	4,923	4,754
Total Eastern Europe	44,849	40,546	19,802	11,268	8,109	5,356	0	0	1,260	947	74,021	58,117
China	7,816	7,206							573	518	8,389	7,724
India	1,135	752									1,135	752
Japan	373	358									373	358
Morocco	1,140	1,091									1,140	1,091
Pakistan	419										419	0
Vietnam	2,516	2,134									2,516	2,134
Total Asia/Africa	13,398	11,541	0	0	0	0	0	0	573	518	13,971	12,059
Abroad	88,577	82,395	19,802	11,268	27,651	22,012	1,265	1,270	2,447	2,136	139,742	119,081
Total	103,915	97,779	54,734	41,116	49,046	42,109	18,820	19,043	15,863	15,100	242,378	215,147

¹Including possible rounding differences²Personnel development at Real is affected by the acquisitions of the Wal-Mart Germany group and the Polish Géant business³Adjustments of previous year's amounts due to discontinued operations⁴Excluding Germany

Shaping the future with personnel development

Our personnel development contributes decisively to the future of METRO Group. It trains recruits for future management tasks and prepares today's managers for tomorrow's challenges.

Personnel development as a key factor in business success

Strategic global executive development and planning are managed with the help of systematic talent management based on continual potential assessments, succession planning and the management development programmes of the Corporate University. It benefits the international expansion of METRO Group, helps the business units adapt flexibly to market conditions and supports the continued development of the sales brands into unmistakable retail brands. This ensures effective support of the business goals of sales divisions, cross-divisional service companies and the Group as a whole. At the same time, the internationally oriented personnel development promotes individual career plans. As a result, our managers profit from career opportunities in 31 countries where METRO Group does business.

International personnel development opens up promising perspectives

Meeting current and future demands

In a continuously changing and increasingly complex business environment, pressure on managers is increasing. METRO Group's personnel development continually identifies changes and offers a multitude of appropriate support initiatives. The evaluation, development and promotion of managers throughout the company are based on seven Metro core competencies. In line with current challenges, change management skills and intercultural competence complement strategy are key focal areas of our management development policy.

Metro Corporate University pushes global leadership

The Metro Corporate University is the central institution for the qualification of our managers. It comprises seven programmes and is attended by more than 300 managers and management recruits from across METRO Group each year. Global leadership and intercultural management are key issues in executive development. We cooperate with renowned external partners such as the Institute for Management Development (IMD) in Lausanne, St. Gallen University and the Institut Européen d'Administration des Affaires (INSEAD) in Fontainebleau. In addition, all METRO AG Management Board members are involved as mentors and lecturers. Beyond topics of strategic importance, the Corporate University promotes the exchange of experiences and team-based cooperation.

Corporate University provides managers with state-of-the-art knowledge

Women in management positions

Equal treatment and equal opportunities are key principles of METRO Group's corporate philosophy and thus crucial factors in our personnel strategy. We strive to strengthen the position of women – both within the Group and across the national borders and sales brands of METRO Group. Demographic changes, in particular, will require companies to prepare more women for the assumption of management tasks. This is the aim of the "Women in management positions" initiative that we launched in 2004. It also acts as a growing network of female managers.

Knowledge management taps employees' mental capital

Targeted knowledge management is one of the key elements of holistic corporate management. We regard our employees' knowledge as elementary working capital that we must nurture and maintain. In view of the ever-declining half-life of knowledge, life-long learning is just as much a crucial factor in our professional education strategy as the ability of our employees to help shape this process in a self-reliant manner.

New learning models

Modern forms of IT-assisted learning combined with traditional seminars methods: this is the strategy pursued by a business game tailored specially to the needs of METRO Group. By combining seminars with online components, the programme conveys a fundamental understanding of strategic management decisions and their impact. Through participation in this business game, more than 500 management recruits have already familiarised themselves with the principle of value-oriented corporate management (EVA) in a highly efficient manner.

Metro Education promotes vocational training in Eastern Europe

METRO Group has been conducting the Metro Education training programme for seven years. It helps internationalise and standardise vocational training in trade and retail. Metro Education offers educational assistance at local trade schools as well as internships and apprenticeships in the METRO Group sales divisions. By actively supporting vocational training in Eastern Europe – currently in Poland, Russia and Romania – we assume our social responsibility and secure our future local personnel.

**Good prospects:
training programmes
enhances the
qualifications of
young job starters**

Attracting potential managers with college marketing

In the future, university graduates will be in increasing demand in all sectors of the economy. This is why we are already preparing for times of increasingly scarce human resources. With the help of systematic college marketing and our rigorous positioning as an attractive employer, METRO Group manages to attract promising management recruits in a timely manner. Our activities focus on a close cooperation with selected universities and universities of applied sciences, collaboration with student organisations and intensive assistance to interns. Since 2002, we have talked to students and teachers at our annual Meeting Metro event. Last year, more than 1,500 participants used the opportunity to gain first-hand knowledge of the Group with its sales divisions and cross-divisional service companies and to find out about the multifaceted entry career opportunities.

VI. ADVANCED RETAILING

(CORRESPONDS TO “RESEARCH & DEVELOPMENT”)

The research and development activities of METRO Group are bundled in the Advanced Retailing concept. METRO Group sees itself as a driving force behind the modernisation process in national and international trade and retail. The Advanced Retailing strategies, which comprise our most important future-oriented projects, were developed to strengthen our leading position in the market. 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 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 programmes and on national and international platforms. We continued to advance our Advanced Retailing projects in 2007. Our aim was to expand the use of future-oriented technologies in our stores as well as in cooperation with suppliers and business partners. The focus of these initiatives is on Radio Frequency Identification (RFID) technology.

OVERVIEW OF FUTURE-ORIENTED REFERENCE PROJECTS

METRO Group Future Store Initiative reaffirms its pioneering role in international trade and retail

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 IT, services and the consumer goods sectors. The focus is on developing, testing and using innovative technologies that produce substantial benefits both for our customers and METRO Group itself. RFID technology, for example, enables more individualised 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.

The Future Store – a future-oriented supermarket where we test the practicability of new technologies together with our partners – is one of the key elements of the METRO Group Future Store Initiative. The new Future Store will open in mid-2008 at the Real hypermarket in Tönisvorst, Germany.

RFID sets new standards – nationwide roll-out under way

RFID technology will fundamentally alter the supply 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 wirelessly without direct contact by an RFID reader. In the merchandise management system, the EPC includes such information as the expiration date or the manufacturer of a product.

At the end of October 2007, we pushed ahead with the roll-out of RFID technology in the European trade and retail sector. The innovative technology now improves incoming goods processes at 180 locations of the Metro Cash & Carry and Real sales brands as well as in the central warehouses of MGL METRO Group Logistics. The suppliers profit from this as well: more than 180 industrial partners are already using the technology. In addition, thanks to a pilot project that was started in the Essen branch of our Galeria Kaufhof sales brand in September 2007, more and more customers have been able to enjoy the far-reaching benefits of RFID technology. Smart Chips affixed to about 30,000 articles and applications such as Smart Dressing Rooms provide even better customer service.

In 2007, we continued to expand our RFID Innovation Center in Neuss and integrated new facilities to help promote the use of RFID in logistics and warehousing. The centre, which was opened in July 2004, is a unique information and development platform in Europe.

Harmonised 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. Metro Link is the platform for METRO Group suppliers. The portal offers comprehensive information as well as programmes for exchanging data. Metro Link aims to intensify the cooperation with suppliers and optimise processes.

VII. ENVIRONMENTAL AND SUSTAINABILITY MANAGEMENT

METRO Group is committed to the principles of sustainable management, because profitable growth is closely linked to environmentally and socially responsible corporate management. In order to ensure our longevity and competitiveness, we identify the key environmental challenges for METRO Group and develop solutions. Our environmental and sustainability management takes into account the expectations of the diverse target groups and contributes to the sustainable development of our society.

Climate and resource protection is the focus of our environmental activity

Global climate change is one of the biggest environmental challenges of our time. Economic stability and social prosperity can only be maintained in the long term by significantly reducing greenhouse gas emissions. Against this backdrop, METRO Group intensified its extensive activities in the area of climate and resource protection in 2007. The focus of these activities was on drawing up a company-specific environmental balance sheet. To do this, we calculated the major CO₂ emissions associated with the company's business activities. In addition to energy consumption at the sales and administrative locations and the emissions of refrigerants, we also took into account paper consumption, merchandise logistics and employees' business trips. On the basis of the data we obtained, we can identify potential for improvement and then plan and implement the necessary changes.

Economical energy consumption plays a decisive role in climate protection. That is why we also continued to develop our Group-wide energy management in the year under review. To reduce electricity consumption, Metro Cash & Carry now uses refrigerated cabinets with sliding covers at numerous locations. MGL METRO Group Logistics uses solar energy to produce warm water at some German locations. Metro Cash & Carry has been employing this technological process in Vietnam for some time. The Düsseldorf Metro Cash & Carry store began operating a photovoltaic system in the year under review. It is one of the largest systems of this type on a piece of retailing real estate. Similar photovoltaic projects are set to be carried out in other stores in the future, for example, in the C+C Schaper store in Aachen. We have initiated projects for cold storage rooms using solar energy as well as for exploiting geothermal energy in Italy, Poland and Turkey. These forward-looking initiatives improve our environmental balance sheet. At the same time, they also supply important stimuli for using renewable forms of energy in the international retail and wholesale sector.

Initiatives for improved energy efficiency and new forms of energy supply

Likewise, in merchandise logistics, we are also constantly seeking ways to reduce our CO₂ emissions. By 2009, MGL hopes to have converted its entire fleet of vehicles to the Euro 5 norm. In addition, METRO Group is investigating the use of combined transportation methods for cross-border deliveries. We also ensure that our logistics service providers drive vehicles that are classified in low-impact pollutant categories.

The deep-freeze warehouses run by MGL have already been converted to environmentally friendly ammonia technology and fitted with energy-saving sprinkler systems. In some of the German Real hypermarkets – together with the Metro Cash & Carry stores in Hamburg and in Aalborg in Denmark – we use particularly climate-friendly chilling equipment. They no longer run on fluorocarbons, but instead use the significantly more environmentally friendly carbon dioxide.

We use recycled paper for our promotional literature wherever possible. In 2007, 72 percent of the paper we used in Germany comprised paper types made from at least 50 percent, sometimes even 100 percent recycled paper fibres. Internationally, our share of environmentally optimised paper was 43 percent.

High environmental standards in the supply chain

At METRO Group, we do not restrict sustainability and environmental protection to our own stores and locations. We also set high environmental standards for our business partners. Thus we encourage our fish suppliers to become certified according to the criteria of the Marine Stewardship Council (MSC). Internationally, the MSC promotes sustainably sourced fishery. The organisation's blue eco-label is awarded to products from fisheries that trawl threatened fish stocks responsibly. It gives consumers an assurance that they are buying a product that does not contribute to the overfishing of our oceans. In Germany, we already carry more than 40 products with the MSC logo. By the end of 2008, we hope to extend this range to around 80 products.

We support the Marine Stewardship Council (MSC) in order that the popular food product fish continues to be available

Environmentally friendly product range and customer information

Our customers inevitably affect the environment and the availability of resources by their choice and use of merchandise. We make environmentally responsible consumption easy by carrying and advertising the appropriate products. Our Media Markt and Saturn sales brands, for example, carry numerous energy-efficient electrical appliances that significantly reduce energy consumption. This is of benefit both to our customers and to the environment because it reduces our electricity costs and carbon dioxide emissions.

Since 2007, our consumer electronics centres have taken on a pioneering role in Germany by labelling the energy consumption of all our television sets in normal and standby mode. This information, which is clearly displayed on the price labels, makes it easier for our customers to choose energy-saving and thus environmentally friendly appliances. Apart from contributing to customer loyalty, this labelling also boosts METRO Group's positive image as an environmentally responsible company.

Our current sustainability report contains concrete key data together with project examples on the topics of supply chain, customers, environment, social issues and employees. On our Internet pages at www.metrogroup.de/sustainability this information is up-dated and amended regularly

VIII. RISK AND OPPORTUNITIES REPORT

Effective risk management secures existing and future potential for success

METRO Group aims to seize opportunities and limit risks. As a result, it regards risk management as an integral part of value-creating business management. It is based on a systematic process of risk identification, assessment and control for the entire Group. This allows us to recognise unfavourable developments early on and promptly take corrective action. We also ensure that opportunities are identified, assessed and seized in a targeted manner throughout the company.

CENTRALISED MANAGEMENT AND EFFICIENT ORGANISATION

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 the risk report. An essential function of central risk management at 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 that provides the basis for determining METRO Group's total risk and opportunities situation.

Group-wide risk management tasks and responsibility for risk management are clearly regulated and mirror METRO Group's corporate structure. This combines centralised management by the management holding company METRO AG with the decentralised 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 by the Supervisory Board and its 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. EVA, i.e. the sustainable increase in enterprise value, is also METRO Group's guiding principle when deciding whether to accept specific risks. 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 METRO Group. Core processes in this context are the development and implementation of business models, decisions on store 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, 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 measures, 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 risk areas, 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.

Sets of rules and early warning systems guarantee maximum transparency at all times

GROUP REPORTING PROMOTES INTERNAL RISK COMMUNICATION

Group reporting is the essential vehicle for the internal communication of risks and opportunities. Annual risk audits, financial statements and monthly forecasts 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 specified 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 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 up-to-dateness of standards and stipulations. In compliance with the provisions of KonTraG (the German Control and Transparency Law), external auditors submit our risk management system to a periodic review. The Management Board and the Supervisory Board are informed about the result of this assessment.

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

Retail business Intense competition in the German and Western European retail sectors, in particular, produces factors that could influence business developments and represent natural business risks. Another general risk is the fluctuating propensity to consume; a factor that depends on numerous political, social and economic parameters. The continuing internationalisation of 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 call for a continuous adaptation and optimisation of merchandising concepts. To recognise market trends and changing consumer expectations early on, we regularly analyse 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 all stores. Continuous fund allocation allows for the optimisation of merchandising concepts and the modernisation of stores. These measures help all sales brands maintain their competitive strength.

Proprietary market research for flexible, dynamic merchandising concepts

Locations We consider a 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 are using 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 analyse the parameters and opportunities of a foreign market entry in great detail, are one example of how METRO Group identifies these risks.

Suppliers As a retailing company, 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 continuously monitored and have to adhere to the procurement policy standards of METRO Group. These include, for example, the requirements of the Food Safety Initiative, which must be observed by all our suppliers and safeguard food safety standards for all production, processing and distribution levels.

IT and logistics The highly diverse selection of goods in bricks-and-mortar retailing and the high merchandise turnover rate entail fundamental organisational, IT and logistics risks. 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 supply chain, for example involving the supply of goods, could lead to business interruptions. METRO Group minimises these risks, with the help of internal backup systems and specific contingency plans, by working with several parallel service providers to reduce its dependency on individual suppliers and service providers, and by following the principle of efficient internal division of labour.

Backup systems and contingency plans reduce the Group's dependency on individual suppliers and service providers

Human resources 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, METRO Group depends on highly qualified experts and managers. It is an ongoing challenge to recruit and retain such valuable human resources for the Group, in particular in the face of intense competition for the best people. The demand for qualified personnel is particularly high in markets where METRO Group is expanding. This calls for appropriate programmes for in-house employee qualification. Continuing education and employee training activities promoted at all Group levels are designed to guarantee the professional competence of Group employees. METRO Group offers training and targeted staff development programmes to foster the requisite entrepreneurial skills among its employees. The incorporation of variable pay components linked to business performance levels also serves this purpose, because direct participation in business success increases employees' identification with METRO Group and enhances their awareness of risks and opportunities in all entrepreneurial decisions.

Litigation and taxes Tax risks arise in particular from tax audits. Litigation risks result from labour and civil law proceedings, among others. METRO Group protects itself against both types of risks by setting up special provisions.

These risks and the management of these risks are described in the notes to the consolidated financial statements under no. 44

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

SUMMARY OF THE RISK SITUATION AT METRO GROUP

On the whole, the assessment of the current risk situation has shown that there are no potentially ruinous risks for the company and presently no risks can be identified that could endanger the company's existence in the future.

IX. SUPPLEMENTARY AND FORECAST REPORT

EVENTS AFTER THE BALANCE SHEET DATE

By contractual agreement, Real SB-Warenhaus GmbH sold its Extra supermarkets to the Rewe Group as of 17 January 2008. The contract is subject to the approval of the merger control authorities.

Further events that are of material importance to an assessment of the earnings, financial and asset position of METRO AG and METRO Group did not occur by 25 February 2008 (date of release of the accounts for presentation to the Supervisory Board). The Supervisory Board is examining the consolidated financial statements and declaring, whether the consolidated financial statements were assented to.

ECONOMIC OUTLOOK

The global economy will probably not be able to match the previous years' growth momentum in 2008. After growth of 3.6 percent in 2007, the global economy is expected to expand by around 3 percent in 2008. Slightly higher economic growth of about 3.4 percent, however, is projected for 2009. Although the conditions for continued economic dynamism are still generally intact, the downside risks facing the global economy have increased substantially.

As a result of the subprime mortgage crisis, the United States, the world's largest economy and a key driver of global economic trends, will remain the weak link in the global economy in 2008. The United States' dual deficit in its current account and budget poses additional economic risks. Irrespective of whether the U.S. economy slips into a recession, a serious economic lull in the United States seems programmed. The U.S. economy is expected to recover in the second half of the year.

The U.S. economic weakness and the dollar's devaluation are dampening the export business in the euro zone and other global regions. Generally, however, the U.S. influence on global economic developments continues to decline. This is due mostly to the strong growth rates in other economic areas like Eastern Europe, Asia or Latin America as well as their rapidly progressing integration into international trade. In addition, the member states of the European Union conduct most of their foreign trade with other member states and in euros. Rising prices, especially energy prices, represent another global economic risk factor.

In spite of the higher risks, the continued strong momentum in the developing countries and the emerging markets, in particular, should enable the global economy to continue its solid growth in 2008/2009. Strong import demand in these countries continues to stimulate international trade. Asia, with its growth drivers China and India, and Eastern Europe will continue to propel the global economy forward during the coming year. In Western Europe, meanwhile, the peak of the economic cycle has been passed.

Gross domestic product growth rates are likely to slow in nearly all Western European countries in 2008 and 2009. Declining investments and exports are putting a brake on growth. In addition, the past years' real estate boom in Spain and the UK is subsiding sharply. The strongest growth rates are projected for Greece, Austria, Spain and Sweden. On the other hand, Italy, Portugal, France and Denmark will post relatively slower growth compared to other METRO Group countries in Western Europe.

**Western Europe
with declining
growth momentum**

Germany's strong economy is also likely to continue to lose steam in 2008/2009. Compared with the previous two years, the former growth drivers – exports and investments – will make a smaller contribution to economic growth, which will likely be based more on private consumption in the next two years. The continued growth of employment and higher collective bargaining wages will increase overall disposable income. In addition, the negative effect of the increase in the value-added tax will subside, meaning that the strong economy can now also have a positive effect on private consumption. Upward price pressure, especially for energy, is a small risk factor, however.

Despite growing global economic risks, Eastern Europe – with the exception of Hungary – is likely to continue to grow at a rate in the middle single digits in 2008/2009. Private consumption in Russia, Ukraine and Romania, in particular, will continue to show strong growth in 2008 and 2009.

**Eastern Europe
and Asia continue
on their dynamic
growth path**

In line with the continent's growing overall importance, Asia will post the fastest growth rates among all METRO Group countries, with China and India showing the strongest momentum. However, Vietnam and Pakistan are also likely to see strong growth – despite the tense political situation in Pakistan. The Japanese economy, in turn, is likely to slow down considerably in 2008 and will only be able to return to its solid growth path of the previous years in 2009.

SECTOR FORECAST

The past years' strong economic development also resulted in a distinct increase in employment and rising disposable incomes in nearly all METRO Group countries. This will also have a generally positive effect on retail in 2008 and 2009.

Nonetheless, retail sales growth in the Western European countries is expected to slow compared with the previous year. While Sweden and Greece will probably see comparatively strong real growth rates, the UK and Spain will not be able to match the previous years' strong retail sales growth, although these markets will continue to show average growth. Below-average growth is projected for Portugal, Italy, Switzerland and Austria.

Only Germany is lagging behind these markets, with expected retail sales growth of less than 1 percent. That, however, will still be a favourable development compared with the past few years, with Germany finally profiting from the economic upswing.

Once again, Eastern Europe will be METRO Group's fastest-growing region in 2008 and 2009. Russia, Ukraine and Romania are likely to experience the highest real retail growth rates of about 10 percent.

Asian retail sales will continue to grow at the previous years' pace, with China, India and Vietnam likely to post growth in the middle single digits and Japanese retail sales expected to stagnate.

DEVELOPMENT OF METRO GROUP

Metro Cash & Carry

The development of the European wholesale market volume will be marked by distinct regional differences over the coming years. While the market volume in Western Europe will remain largely unchanged, the Eastern European markets will continue their dynamic sales growth. Metro Cash & Carry therefore projects continued positive market developments in Eastern Europe, in particular in Russia and Ukraine.

The growth region of Asia offers great potential in the cash & carry segment. As a result, Metro Cash & Carry will continuously expand its network of stores in the Chinese and Japanese markets in the coming years and press ahead with the expansion of its store network in India. Following its successful market entry in Pakistan at the end of 2007, Metro Cash & Carry expects to be able to forge ahead with its expansion strategy as macroeconomic conditions remain very favourable. An additional roughly 40 stores are scheduled to be opened worldwide in 2008.

Real

The slightly positive sales trend that the German food retail segment experienced in 2007 will continue in 2008, accompanied by increasing consolidation in the sector. In the financial year 2008, Real will focus on pushing ahead with its repositioning process and securing its market-leading position. With the sale of the Extra supermarkets to the Rewe Group, effective 1 July 2008, METRO Group continues to concentrate its activities in German food retailing. By focusing exclusively on the hypermarket format, the Group can use its strengths even more effectively to successfully reposition its Real sales brand.

Real also continues to profit from good growth prospects in its foreign markets, above all in the Eastern European countries of Russia, Romania, Ukraine and Turkey. The transformation from traditional retail structures to modern, large-scale food retailing progresses and will expand the market volume.

Real will continually expand its presence in the above-mentioned countries. In 2008, the expansion focus will be on Romania. Real's selective expansion in Eastern Europe will also continue in 2008 with market entry in Ukraine.

Media Markt and Saturn

Manufacturers' strong innovation pipelines, ever shorter product life cycles for new technologies and sustained customer demand for the latest electronic goods are having a greater impact on the develop-

ment of consumer electronics retailing in Europe. And they are propelling sector growth in the process. Media Markt and Saturn will continue to expand its market-leading position in Germany over the coming years, with selected additions of new stores to its network and intensive, eye-catching marketing activities. Media Markt and Saturn will profit from continued sales growth in Western European consumer electronics retailing in 2008.

Rising income and resulting higher expenditure for consumer electronics products in the Eastern European markets provide sustained growth potential for Media Markt and Saturn in the coming years.

Media Markt and Saturn's continued strong expansion in Europe will secure and strengthen the Group's market-leading position. More than 70 new stores are scheduled to be opened worldwide in 2008.

Galeria Kaufhof

Intensity of competition in German clothing and textiles retail, the key product segment for department stores, will remain on a high level also in 2008 and 2009. In addition, a multitude of modern shopping centres are moving into the main retail zones of the inner cities. While this strengthens city retail vis-à-vis competitors in non-integrated locations, it also accelerates sector consolidation.

Against this backdrop, Galeria Kaufhof will push ahead with its successful retail branding strategy and sharpen its profile as a city-centre lifestyle provider with target-group specific assortment and marketing measures.

In Belgium, the market volume in the department store segment will continue to grow in the future. The Belgian department store chain Galeria Inno will maintain its leading position and continue to gain market share in a growing market.

FORECAST ON BUSINESS DEVELOPMENT OF METRO GROUP

We plan to rigorously continue our profitable growth course in the financial years 2008 and 2009. Based on assessments of future economic developments, sector trends and the development of our sales divisions, we project a positive business development of METRO Group in 2008. We are determined to continue to advance our position as one of the leading international retail groups.

In the context of our strategy of profitable growth, METRO Group projects sales growth of more than 6 percent for the Group during the current financial year 2008 as well as over the medium term. To this end, the Group plans to open about 40 new Metro Cash & Carry stores per year, more than 70 Media Markt and Saturn stores as well as around 15 Real hypermarkets. EBIT before special items is expected to increase higher than sales. METRO Group's investments are likely to exceed the prior-year's level.

We also strive for a further increase in Economic Value Added (EVA), the key indicator of our business success.

X. REMUNERATION REPORT¹

SHARE-BASED COMPENSATION FOR EXECUTIVES

METRO AG has been implementing share-based remuneration programme since 1999. 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.

Stock option programme (1999–2003)

In the past, the executives of METRO AG and the cross-divisional service companies received options from a **stock option programme**. 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 programme gave participants the right to acquire METRO AG ordinary shares at a previously determined basis price for a set period of time. The exercise terms and conditions of the stock options granted stipulated that the company may grant the qualifying beneficiaries cash compensation in lieu of the delivery of new ordinary shares, which is equal to the difference between the basis price and the applicable closing price of Metro shares at the time the options are exercised. This option was used by all beneficiaries of the programme with regard to all subscription rights issued.

The stock options and stock appreciation rights held in the Group during the financial year 2007 changed as follows:

Stock options/stock appreciation rights tranche 2003

	2007		2006	
	Stock options units	Stock appreciation rights unit	Stock options unit	Stock appreciation rights unit
Outstanding on 1 Jan	30,930	88,580	507,420	1,460,120
Issued	–	–	–	–
Executed	27,950	87,780	471,020	1,263,650
Expired/forfeited	2,980	800	5,470	107,890
Outstanding on 31 Dec	–	–	30,930	88,580

The rights with a maturity of approximately one year could be exercised following the end of a three-year blocking period. The rights could be exercised only if the share 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.

¹Also part of the Corporate Governance Report 2007

The terms of the tranches existing in 2007 are listed in the following table:

Tranche	Expiration date	Basis price	Exercise price	Stock options		Stock appreciation rights	
				31 Dec 2007 units outstanding	31 Dec 2006 units outstanding	31 Dec 2007 units outstanding	31 Dec 2006 units outstanding
2003	8 weeks after AGM in 2007	€26.99	€35.09	–	30,930	–	88,580

In the reporting year, 27,950 stock options and 87,780 stock appreciation rights were exercised from the 2003 tranche. The average strike price per right was €54.33. A total of 2,980 stock options and 800 stock appreciation rights are forfeited. The contractual residual maturity of the rights from the 2003 tranche ended on 18 July 2007.

Share bonus programme (2004–2008)

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

The share bonus programme 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 share price.

The opening price of each tranche corresponds to the arithmetic mean of the closing prices of the METRO AG ordinary share in Xetra trading of Deutsche Börse AG 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 share price increase of 15 percent over the course of three years. A determination about whether the target price has been reached is made by means of the arithmetic mean of the closing prices of the company's ordinary share in Xetra trading at Deutsche Börse AG on the last 20 consecutive trading days before expiration of the relevant three-year period. The bonus increases or decreases proportionately when the share price exceeds or falls below the 15 percent price target.

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

The share bonus is principally granted only if the terms of employment within 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 share bonuses can be limited to the gross amount of the annual fixed salary. Any potential excess amounts are used to raise the share bonus during the following three years if the latter is lower than the individually agreed gross annual fixed salary.

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

Share bonus

Tranche	Due date	Basis price	Target price	Total target
2004	July 2007	€37.14	€42.71	€21,610,000
2005	July 2008	€41.60	€47.84	€21,975,000
2006	July 2009	€43.15	€49.62	€23,750,000
2007	July 2010	€61.61	€70.85	€18,705,000

The target bonus values are based on the condition that the target prices are attained. The value of the share bonus paid in 2007 was €28.14 million at the time of payment and was calculated by independent experts using recognised financial-mathematical methods (Monte Carlo simulation).

COMPENSATION OF MANAGEMENT BOARD MEMBERS

Compensation for members of the Management Board is a component of an integrated compensation system for executives of 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.

Performance-based compensation

The performance-based compensation for members of the Management Board is determined mainly 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 the capital employed. NOPAT (Net Operating Profit after Taxes) 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 capital employed by the weighted average cost of capital (WACC). In the financial year 2007, the weighted average cost of capital of METRO Group remained unchanged from the previous year at 6.5 percent.

Delta EVA, the difference between current EVA and prior-year EVA, plays the key role in the evaluation of corporate success. The development of delta EVA is therefore also the 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 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 balance is paid out each year, with the remaining amount being carried forward. A negative bonus results in a reduction of the bonus bank balance. The negative bonus bank balance 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 financial years following the capping, the remuneration share resulting from the bonus factor in excess of +2.0 is offset against the capped balance of the bonus bank. The bonus bank thus serves to balance bonus payments and to promote sustainable management decisions favouring long-term value creation.

The Personnel Committee of 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. The concept of value-oriented remuneration and the concrete EVA calculations were verified by the consultancy company Stern Stewart & Co. The Personnel Committee monitors the systematic application to Management Board remuneration.

Share-based compensation with long-term incentives

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

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

Remuneration in the financial year 2007

The relevant individual amounts for the members of the Management Board are as follows¹:

€1,000	Fixed salary	Performance-based entitlements	Share bonuses 2007	Other remuneration	Total
Dr. Eckhard Cordes (as of 1 Nov)	167	409	0	2	578
Dr. Hans-Joachim Körber (until 31 Oct)	833	2,044	602	8	3,487
Zygmunt Mierdorf	800	1,635	497	21	2,953
Frans W. H. Muller	800	1,635	497	151	3,083
Thomas Unger	800	1,635	497	3	2,935
Total	3,400	7,358	2,093	185	13,036

¹The target bonuses for the share bonus tranches existing during the financial year amounted to: €330,000 each from the 2004, 2005, 2006 and 2007 tranches for Mr. Mierdorf and Mr. Unger, respectively; €330,000 each from the 2006 and 2007 tranches for Mr. Muller, and €400,000 each from the 2004, 2005, 2006 and 2007 tranches for Dr. Körber. The company's pro rata expenses for share-based remuneration with maturities in the financial year 2007 or later can be shown as follows: €1,666,000 for Mr. Mierdorf; €469,000 for Mr. Muller; €1,666,000 for Mr. Unger and €2,044,000 for Dr. Körber (until 31 October 2007).

The amount of the performance-based remuneration for the financial year 2007 results from EVA-based compensation entitlements and thus from the company's performance during the current financial year. As a result of the bonus bank system, full payout for active members of the Management Board depends on EVA factors and thus on the company's performance in future years.

Share-bonus entitlements with long-term incentives that were granted in the financial year 2007 are posted at their fair value at the time of granting (see the diagram above).

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 of the 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 METRO Group.

The members of the Management Board did not hold any rights from the stock option programme in the financial year 2007.

Services after the end of employment

In the financial year 2007, a total €0.65 million was used for remuneration of active members of the Management Board of METRO AG for services after the end of their employment. The previously listed amount also covers allocations to reserves for payments following the end of the employment contract of Mr. Mierdorf. These commitments materially provide for a one-time capital amount to be granted when he leaves 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 annual salary and performance-based compensation on the basis of a one times EVA bonus.

Furthermore, this provision concerns provisions 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 adjusted annually to cover the increased cost of living. The commitment was made before his appointment to the Management Board.

Should the employment contract be cancelled prematurely as a result of changes in control and strategy, Mr. Mierdorf will retain the entitlements arising from the employment contract even if he terminates the contract himself. 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 €22.9 million. The cash value of commitments for current pensions and pension entitlements made for this group totalled €48.4 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.

In addition to 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 amortisation) of €100 million for the average of the financial year 2007 and the two preceding financial years. The sales tax payable on the fixed and performance-based compensation is reimbursed to the members of the Supervisory Board in accordance with § 13 Section 5 of the METRO AG Articles of Association.

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 €1.8 million in the financial year 2007. The fixed and the performance-based component accounted for €0.9 million each. The performance-based compensation will be payable after METRO AG's Annual General Meeting on 16 May 2008.

The following individual totals applied in the financial year 2007:

Compensation of the members of the Supervisory Board

In €	Fixed compensation	Performance-based compensation
Franz M. Haniel, Chairman (since November 2007)	17,500	16,684
Dr. Eckhard Cordes, Chairman (until October 2007)	87,500	83,420
Klaus Bruns, Vice Chairman	70,000	66,736
Dr. Wulf H. Bernotat	35,000	33,368
Prof. Dr. Dr. h. c. Klaus Brockhoff	35,000	33,368
Ulrich Dalibor	52,500	50,052
Hubert Frieling (since July 2007)	17,500	16,684
Prof. Dr. Dr. h. c. mult. Erich Greipl	52,500	50,052
Jürgen Hennig	35,000	33,368

Chart continued on next page

Compensation of the members of the Supervisory Board

In €	Fixed compensation	Performance-based compensation
Anja Kiehne-Neuberg (until June 2007)	26,250	25,026
Werner Klockhaus	52,500	50,052
Peter Küpfer	35,000	33,368
Rainer Kuschewski	35,000	33,368
Dr. Klaus Mangold	35,000	33,368
Marianne Meister	35,000	33,368
Dr. rer. pol. Klaus von Menges	35,000	33,368
Dr.-Ing. e. h. Bernd Pischetsrieder	36,458	34,758
Sylvia Raddatz	35,000	33,368
Renate Rohde-Werner	35,000	33,368
Dr. jur. Hans-Jürgen Schinzler	53,958	51,442
Dr. Manfred Schneider	52,500	50,052
Peter Stieger	43,750	41,710
Total	912,916	870,348

In the financial year 2007, the members of the Supervisory Board of METRO AG received €0.1 million in compensation from the Group companies for Supervisory Board mandates (and in one case for an Advisory Board 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 companies of METRO Group in the sense of Subsection 5.4.7 of the German Corporate Governance Code.

Other intragroup 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 intragroup Supervisory Board mandates of which the Supervisory Board member waived the payment.

XI. NOTES PURSUANT TO § 315 SECTION 4 GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT OF THE MANAGEMENT BOARD

COMPOSITION OF CAPITAL

On 31 December 2007, the capital stock of METRO AG totalled €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 shares:

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

Each ordinary share of METRO AG grants an equal voting right. In addition, ordinary shares of METRO AG entitle the holder to dividends. In contrast to ordinary shares, preference shares do not carry voting rights and give a preferential entitlement to profits in line with § 21 of the Articles of Association of METRO AG, which state:

- “(1) Holders of non-voting preference shares will receive from the annual net earnings a preference dividend of €0.17 per preference share.
- (2) Should the net earnings available for distribution not suffice in any one financial year to pay the preference dividend, the arrears (excluding any interest) shall be paid from the net earnings of future financial 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 preference dividends payable from the profit of a financial year are not distributed until all of any accumulated arrears have been paid.

- (3) After the preference dividend has been distributed, the ordinary shareholders will receive a dividend of €0.17 per ordinary share. Thereafter, a non-cumulative extra dividend of €0.06 per share will be paid to the holders of non-voting preference shares. 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 ordinary shares inasmuch as such dividend equals or exceeds €1.02 per ordinary share.
- (4) The holders of non-voting preference shares and of ordinary shares will equally share in any additional profit distribution at the ratio of their shares in the capital stock.”

Other rights associated with ordinary and preference shares include in particular the right to attend the Annual General Meeting (§ 118 Section 1 of the 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 of the Stock Corporation Law). In addition to the previously mentioned right to receive dividends, shareholders have a subscription right when the capital stock is increased (§ 186 Section 1 of the Stock Corporation Law), a claim to liquidation proceeds after the closure of the company (§ 271 of the Stock Corporation Law) and claims to compensation and settlements as a result of certain structural measures, particularly those pursuant to §§ 304 ff., 320b, 327b of the Stock Corporation Law.

LIMITATIONS RELEVANT TO VOTING RIGHTS

An agreement exists among O.B. Betriebs GmbH, Overpart GmbH, BVG Beteiligungs- und Vermögensverwaltung GmbH, Franz Haniel & Cie. GmbH, Haniel Finance B.V., Haniel Finance Deutschland GmbH, Haniel Beteiligungsfinanzierungs GmbH & Co. KG, Haniel Beteiligungs-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.

An agreement between BVG Beteiligungs- und Vermögensverwaltungs GmbH, Supra Holding AG, Franz Haniel & Cie. GmbH, Haniel Finance Deutschland GmbH and Haniel Finance B.V. has not taken effect so far for merger control reasons.

The aforementioned agreements can be regarded as restrictions in the sense of § 315 Section 4 No. 2 of the German Commercial Code.

CAPITAL INTERESTS

Notes pursuant to § 315 Section 4 No. 3 of the German Commercial Code – direct and indirect (pursuant to § 22 of the 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
Haniel Beteiligungsfinanzierungs GmbH & Co. KG, Duisburg	direct and indirect
Haniel Beteiligungs-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, Baar/Switzerland	indirect
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 that METRO AG received and released in the financial years 2006 and 2007.

Notifications of voting rights published by METRO AG can be found on the website www.metrogroup.de under Investor Relations.

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 Co-determination Act apply. A supplementary regulation is contained in § 5 in METRO AG's Articles of Association. It states:

“(1) The Management Board shall have not less than two members.

(2) Apart from this the actual number of Management Board members will be determined by the Supervisory 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 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 authorise the Management Board to increase the share capital through the issuance of new shares against deposit. Four such authorisations exist at present, with two authorisations each authorising the Management Board to increase the share capital by issuing new ordinary shares in exchange for cash contributions and non-cash contributions, respectively. These authorisations are designed to enable the company to tap additional equity as a long-term means of finance. Adequate equity capital is of critical importance for the company's financing and, in particular, its continued international expansion. At the moment, no concrete plans exist to make use of these authorisations. The following details apply:

Authorised capital I

On 23 May 2007, the Annual General Meeting resolved to authorise the Management Board to increase the share capital, with the approval of the Supervisory Board, by issuing new ordinary bearer shares in exchange for cash contributions in one or several tranches for a total maximum of €40,000,000 (authorised capital I) by 23 May 2012. A subscription right is to be granted to existing shareholders. However, the Management Board has been authorised to restrict this subscription right, with the approval of the Supervisory Board, to the extent required to grant the holders of option bonds and con-

vertible bonds issued by METRO AG and its wholly owned direct or indirect subsidiaries a right to purchase the number of new ordinary 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 authorised to restrict the shareholders' subscription rights, with the prior approval of the Supervisory Board, for one or several capital increases under the authorised capital, provided that the total par value of such capital increases does not exceed 10 percent of the share capital registered in the commercial register at the time the authorised capital is first utilised, and further provided that the issue price of the new ordinary shares is not substantially below the market price of the company's listed ordinary shares of the same category at the time the initial offering price of the new issue is finally fixed. The Management Board is authorised to determine all further details of the capital increases with the prior approval of the Supervisory Board. To date, authorised capital I has not been used.

Authorised capital II

On 23 May 2007, the Annual General Meeting resolved to further authorise the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by issuing new ordinary bearer shares in exchange for non-cash contributions in one or several issues for a maximum total of €60,000,000 by 23 May 2012 (authorised capital II). The Management Board is authorised, 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, authorised capital II has not been used.

Authorised capital III

On 4 June 2004, the Annual General Meeting further authorised the Management Board, with the prior approval of the Supervisory Board, to increase the company's share capital by issuing new ordinary bearer shares in exchange for cash contributions in one or several issues for a maximum total of €100,000,000 by 3 June 2009 (authorised capital III). Existing shareholders shall be granted a subscription right. However, the Management Board has been authorised 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 share capital 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 authorised to restrict the shareholders' subscription rights, with the prior approval of the Supervisory Board, for one or several capital increases under the authorised capital, provided that the total par value of such capital increases does not exceed 10 percent of the share capital registered in the commercial register at the time the authorised capital is first utilised, 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 share capital decreases in proportion to the amount of share capital that is comprised of the company's treasury shares issued as part of the authorised capital III under exclusion of the subscription right of the shareholders pursuant to § 71 Section 1 Subsection 8 Sentence 5, § 186 Section 3 Sen-

tence 4 of the German Stock Corporation Act. The maximum limit also falls in proportion to the amount of share capital 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 authorised 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, authorised capital III has not been used.

Authorised capital IV

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

Stock option programme

The Annual General Meeting of 6 July 1999, approved a stock option programme for executives.

Within the framework of METRO AG's stock option programme, the Management Board distributed stock options to executives in the years 1999–2003. On 31 December 2007, no 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 ordinary shares when the existing subscription rights were exercised.

Authority to buy back the company's own shares

METRO AG is authorised to buy back its own shares 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 23 May 2007:

- “a) The Company is hereby authorised to acquire company shares of any share class on or before 23 November 2008. The authorisation shall be limited to the acquisition of shares collectively representing a maximum of 10 percent of the share capital issued as of the date the resolution is passed. The authorisation may be exercised in whole or in part, in the latter case also several times. It may also be exercised for the acquisition of either ordinary or preference shares only.
- b) Shares may be acquired on the stock exchange or by way of a public tender offer made to all shareholders of the company.

- If shares are acquired on the stock exchange, the price per share (excluding incidental transaction costs) paid by the company shall not be more than 10 percent above or below the arithmetic mean of the final auction prices quoted for company shares of the same share class on the Xetra system (or a functionally comparable successor system replacing the Xetra system) of the Frankfurt Stock Exchange during the three trading days immediately preceding the date of acquisition.
 - If shares are acquired by way of a public tender offer made to all shareholders of the company, the offered purchase price per share shall not be more than 20 percent above or below the arithmetic mean of the final auction prices quoted for company shares of the same share class on the Xetra system (or a functionally comparable successor system replacing the Xetra system) of the Frankfurt Stock Exchange during the three trading days immediately preceding the date of announcement of the offer. If the public tender offer is oversubscribed, proportional acceptance will take place. Priority may be given to small lots of up to 100 shares per shareholder.
- c) In addition to selling acquired company shares on the stock exchange or by offer to all shareholders, the Management Board is hereby authorised, with consent of the Supervisory Board, to use company shares acquired in accordance with the authorisation granted in paragraph a) above for any of the following purposes:
- (1) Listing of company ordinary shares on any foreign stock exchange where it was not hitherto admitted for trading.
 - (2) Transfer of company ordinary shares to third parties in connection with corporate mergers or in connection with the acquisition of other companies, divisions of other companies or interests in other companies.
 - (3) Retirement of company shares, without the need for any further resolution by the Annual General Meeting authorising such retirement and execution thereof.
 - (4) Sale of company ordinary shares by means other than via the stock exchange or via an offer to all shareholders, provided that the sale is for cash payment and at a price not substantially lower than the stock exchange price in effect for listed ordinary shares of the company with the same terms on the date of sale. The foregoing authorisation shall be limited to the sale of ordinary shares collectively representing no more than 10 percent of the share capital. The limit of 10 percent of the share capital shall be reduced by the pro rata amount of share capital represented by any shares issued (a) during the effective period of this authorisation in the course of any capital increase under exclusion of subscription rights in accordance with § 186 Section 3, Sentence 4 of the German Stock Corporation Act, or (b) to service bonds with warrants or convertible bonds providing for warrant or conversion rights or conversion obligations, in so far as such bonds were issued during the effective period of this authorisation under exclusion of subscription rights by analogous application of § 186 Section 3, Sentence 4 of the German Stock Corporation Act.

- (5) Delivery of ordinary shares to holders of warrant or convertible bonds of the company or its affiliates, in accordance with the terms and conditions applicable to such warrant or convertible bonds; this also applies to the delivery of ordinary shares based upon the exercise of subscription rights which, in the event of a sale of company ordinary shares through an offer to all shareholders, may be granted to holders of warrants or convertible bonds of the company or any of its affiliates, to the same extent that holders of such warrants or convertible bonds would have subscription rights for ordinary shares of the company after exercising the warrant or conversion rights or performing the warrant or conversion obligations. The ordinary shares transferred based upon this authorisation shall collectively not exceed a pro rata amount of 10 percent of the share capital, in as much as such ordinary shares are used to service conversion or warrant rights or conversion obligations issued or created by analogous application of § 186 Section 3, Sentence 4 of the German Stock Corporation Act. Shares 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 authorisation up to the date of use shall count towards the aforementioned limit.
- d) The authorisations granted in paragraph c) above may be exercised on one or several occasions, in whole or in part, individually or collectively. The price at which ordinary shares of the company is initially listed on foreign stock exchanges in accordance with the authorisation granted in paragraph c), No. (1) shall not be more than 5 percent below the arithmetic mean of the final auction prices quoted for listed ordinary shares of the company with the same terms on the Xetra system (or a functionally comparable successor system replacing the Xetra system) of the Frankfurt Stock Exchange during the five trading days immediately preceding the date of initial listing on the stock exchange.
- e) The subscription rights of shareholders shall be excluded if company ordinary shares are used for any of the purposes authorised in paragraph c), nos. (1), (2), (4) or (5) above."

The authorisation for the repurchase of own shares serves the possible applications listed in paragraph c):

Among other things, the authorisation is intended to enable the company to buy back own ordinary shares for listings, by exclusion of subscription rights, at foreign exchanges where the company's ordinary shares is not yet listed. In addition, the authorisation is supposed to enable the company to use treasury ordinary shares as payment by exclusion of subscription rights in the context of business combinations or acquisitions of companies, corporate units or holdings in companies. The company is also supposed to be able to retire own shares without a renewed resolution by the Annual General Meeting. In addition, the authorisation shall allow the company to sell treasury ordinary shares by exclusion of subscription rights other than via the exchange or an offer to shareholders against cash payment. This is supposed to enable the company, in particular, to issue treasury ordinary shares at short notice. The Annual General Meeting of 4 June 2004, authorised the Management Board, with the approval of the Supervisory Board, to issue option bonds and convertible bonds. Rather than implementing a capital increase, it may prove sensible to fully or partly serve the resulting subscription rights with treasury ordinary shares.

Authorisation for issuing option bonds and convertible bonds

The Annual General Meeting on 4 June 2004 authorised the Management Board, with the approval of the Supervisory Board, to issue bearer and/or registered option and/or convertible bonds by 3 June 2009, in one or several tranches totalling 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 ordinary shares in the company in proportion to the share capital 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 share capital. In this case, the Management Board is authorised 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 ordinary shares of METRO AG to the holders of option or convertible bonds.

All shareholders are entitled to a subscription right. The option bonds or convertible bonds are to be assumed by a lending institution or a consortium under the condition that they will be offered to the shareholders. The company must also ensure the shareholders' 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 authorised, with the approval of the Supervisory Board, to exclude odd-lot amounts resulting from subscription conditions from the subscription right of shareholders and to preclude the subscription right in as much 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 to which they would be entitled after exercising the option or conversion rights or after fulfilling option and conversion obligations.

The Management Board is further authorised, with the approval of the Supervisory Board, to exclude the subscription right of shareholders to option and/or convertible bonds in as much as 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 recognised financial-mathematic methods. This authorisation to issue option or convertible bonds under the exclusion of the subscription right in accordance with § 186 Section 3 Sentence 4 of the 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 share capital that existed as of the date of the initial exercise of this authorisation. The maximum limit of 10 percent of the share capital decreases in proportion to the amount of share capital that is comprised of the company's shares issued during the authorisation 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 shares.

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 ordinary

shares. The proportionate share of share capital 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 shares 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 authorisation 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 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 shares 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 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 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 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 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 share capital including a subscription right to its shareholders 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 shares.

The Management Board is authorised 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.

The authorisation to issue option and/or convertible bonds is designed to expand METRO AG's financing leeway and provide the company with flexible and short-term access to financing upon the emergence of favourable capital market conditions, in particular. Issues of bonds with convertible or option rights on METRO AG stock provide a means of raising capital at attractive conditions. The convertible and option premiums attained flow to the company. The additionally foreseen possibility of granting not only convertible and option rights, but also introducing option and convertible duties, and allowing the company to opt for the full or partial redemption of bonds with treasury stock rather than cash, extends the company's leeway in the design of this financing instrument.

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 syndicated loan agreements 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 shareholders 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 2007, the average amount used from the syndicated loan agreements was €125 million. The hedging of syndicated loans in the manner described above is standard market practice and serves the purpose of creditor protection.

In the event that a takeover leads to a significant change in strategy, Management Board member Mr. Mierdorf is authorised to resign from his board positions at the end of the third month that follows the change in control and strategy and to terminate his employment contract. In the event of such an extraordinary termination of his employment contract, Mr. Mierdorf will retain the remuneration entitlements arising from his contract.

METRO SALES BRANDS

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METRO CASH & CARRY: THE GLOBAL NO. 1 IN SELF-SERVICE WHOLESALING

Customer-focused, innovative, international – the Metro Cash & Carry sales division is one of the growth drivers at METRO Group. With the unmistakable profile of its Metro and Makro sales brands, it has been the undisputed market leader in the cash & carry segment for more than four decades.



Metro Cash & Carry

2007

Sales	€31.7 billion
EBIT	€1,243 million
Stores	615 in 29 countries
Total selling space	4,9 million m ²
Employees*	103,915

*Annual average, full-time equivalents

The Metro and Makro wholesale stores are the first point of call for more than 20 million commercial customers on three continents. Each store offers up to 20,000 articles in the area of food and beverages as well as 30,000 nonfood articles. 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. The C+C Schaper brand rounds off the offering on the German market.

Metro Cash & Carry is an important and reliable partner for commercial customers in 29 countries

Sales concept with strong formats

Customer needs and shopping habits differ from country to country. By employing a highly flexible merchandising concept, Metro Cash & Carry addresses local customer needs and consumer habits. This concept is based on three store formats with varying selling spaces and assortment depths: The larger stores are located primarily in Western Europe. With selling spaces of 10,000 to 16,000 square metres, they offer up to 50,000 food and nonfood products. The mid-range format, with a selling space of 7,000 to 9,000 square metres, has proven itself primarily in Eastern Europe and Asia. The third category is widely used in France, but is also gaining importance in southern Europe and Japan. With selling spaces of 2,500 to 4,000 square metres, this store type focuses on fresh produce.

Number of global locations on the rise

At Metro Cash & Carry, international expansion is the crucial factor for long-term profitable growth. In 2007, the sales division expanded its network of locations to 615 wholesale stores in 29 countries. Once again, the focus was on the Asian and Eastern European markets.

Metro Cash & Carry has raised the number of locations in China to 37 wholesale stores. A new store opening in Lahore marked Metro Cash & Carry's market entry in Pakistan in 2007. Strong growth also continues in Russia. Following the opening of the first store in Siberia, the sales division had a total of 39 wholesale stores in this country by the end of 2007.

The integration of local suppliers is a key component of Metro Cash & Carry's international success story. Metro Cash & Carry acquires more than 90 percent of the products sold in its wholesale stores from local producers and suppliers. The sales division also relies on local employees, also in managerial positions, in all nations. In addition, the locations profit from targeted international know-how transfers: In the group's own regional training centres called "House of Training", employees in Düsseldorf, Paris, Moscow and Shanghai are trained for specialist and managerial positions in wholesale. In addition, the sales division cooperates with the German Investment and Development Company (Deutsche Investitions- und Entwicklungsgesellschaft) in the context of training programmes for agriculture and fishery. These support programmes exist in India and Vietnam, among others.

Metro Cash & Carry strengthens the domestic economy and promotes the international exchange of knowledge

Customers profit from innovative concepts

Seeking to sharpen its brand profile internationally, Metro Cash & Carry optimised its service offerings again in 2007. For example, Metro Cash & Carry shares its specialist know-how in assortment creation, sales and marketing with medium-sized retailers. Customers from the hotel, restaurant and catering business as well as suppliers used the "Metro Expo" trade fair as an opportunity to discuss ideas, define their needs and explore improvement potential. "Metro Expo" serves as a communication platform in Germany, France, Italy, Portugal, Romania and Spain.

In the design of its wholesale stores, Metro Cash & Carry focuses on customer-orientated innovations. The latest technology is designed to speed up shopping while making it more appealing. For example, a new check-out system allows customers to scan their own purchases and avoid spending excess time at the check-out. The walk-in wine humidor with its comprehensive offer of high-quality wines and spirits has proven a particularly popular feature. Following a successful pilot in Düsseldorf, it is now also available in Berlin, London, Beijing, Prague, Shanghai and Warsaw.

International application of innovations to the merchandising concept

High goals for quality standards

Quality and freshness have top priority at Metro Cash & Carry. 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. The high-performance control system covers all stations – from producers to the wholesale stores' shelves. Quality managers ensure that only excellent products go into customers' trolleys. Metro Cash & Carry is also venturing down new avenues to make it easier for its customers to comply with the European HACCP regulations (Hazard Analysis and Critical Control Point). For example, the stores make available cooling units for the transport of fresh produce as well as coolers to deposit loaded shopping trolleys.

Active commitment to climate protection

The company initiated three energy projects during the reporting year: the "Energy Integral Future Store" is a visionary programme that optimises energy consumption and covers all operative activities. The focus of the "Energy Future Stores" with their pilot project in Toruń, Poland, is on renewable energies. The third project, "Energy Saving Today," concentrates on the technical modernisation of wholesale stores, covering everything from the optimisation of cold storage areas and climate zones to the testing of solar energy.

For more information, go to the chapter on environmental and sustainability management

REAL: HYPERMARKET WITH FAMILY-FRIENDLY OFFERING

Real stands for a wide range of branded products, high levels of competency in freshness and good value for money. Under the umbrella of Real SB-Warenhaus GmbH, the company manages around 350 hypermarkets in Germany as well as another 85 in four Eastern European countries. The Real brand profile is aimed at both young families with children and the 50plus generation.



Real	2007
Sales	€11.0 billion
EBIT	€-16 million
Stores	434 in 5 countries
Total selling space	3.1 million m ²
Employees*	54,734

*Annual average of full-time equivalents

Real generated most of its sales in Germany, Europe's largest market. The brand's home market is particularly demanding, especially in food retailing. As a result of economic and social changes, the share of private consumer budgets that flows into retail is declining continually. This applies in particular to everyday items like food. Growing demand and tighter supplies of raw

materials in various product areas escalated world market prices, especially for milk and grain products. This led to an increase in prices for these products from the middle of 2007 and negatively impacted customers' willingness to buy.

Shop-in-shop concept addresses customer needs

With its extensive network of large-scale hypermarkets, Real clearly has the profile of a classic full-assortment retailer. On selling space between 5,000 and 15,000 square metres, the sales brand offers around 80,000 food and nonfood items. The focus lies on food. Here, the range of goods offered covers well-known branded products as well as strong own brand products, including around 1,500 "TIP" products sold at discount prices. Besides household goods, the broad nonfood programme includes consumer electronics, books, audio media, textiles and shoes as well as products for sports, games and leisure activities.

Real emphasises a well-structured, attractive presentation of goods. Already implemented in many German stores, the shop-in-shop concept is opening additional possibilities. The new product worlds were developed based on consumer surveys and respond to customer suggestions. Modern-looking markets with a friendly atmosphere are the result. They demonstrate the positive transformation of the hypermarket concept.

The balanced mixture of self-service and service counters makes Real stand out from discounters as well as competitors in the hypermarket segment. Expert customer assistance is particularly important. For this reason, the sales brand made significant investments in employee training in 2007. The e-learning opportunity introduced in the first half of the year supports each and every employee efficiently, flexibly and individually.

**Focus on advice and
service orientation**

Customer-orientated marketing at the forefront

Launched in 2007 by Real with partner companies Procter & Gamble and Nestlé, the “Familymanager” initiative targets families with children. Three key elements strengthen the image of the sales brand as a family-friendly company: the customer magazine with tips for the entire family, a specific shelving concept with changing attractive offers from both partner companies and the fund-raiser for kindergartens “Sie kaufen. Wir spenden!” (You buy. We donate!). In addition, customers enthusiastically embraced a brand-new loyalty campaign in collaboration with Rosenthal. Within 18 weeks, Real was able to sell around 2 million glass sets from the renowned porcelain manufacturer. Additional promotions are to follow.

Brand image as family-friendly company further strengthened

Real stresses innovation and quality

Real is a leader in the use of new retail technologies. For instance, the sales brand offers Self Check-outs at more than 65 locations. At these stores, customers can scan their goods themselves and control the check-out speed individually. A total of 157 stores are already equipped with Smart Scales. They recognise fruit and vegetables automatically and facilitate easier price labelling.

In all product areas, emphasis is high on quality and safety. The quality-assurance system of our sales brand ensures that high standards are maintained that go far beyond the legal requirements. 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

Facing intense competition in Germany, Real optimised its merchandising concept. A major effort in this regard is critically reviewing the store network and adjusting it to meet changed customer expectations or business developments.

Following their takeover by METRO Group, Real successfully concluded the integration of the German Wal-Mart stores in the third quarter of last year. The converted hypermarkets complement Real's store network. Significant synergies have been created, particularly in procurement, logistics and administration.

On-schedule integration of German Wal-Mart stores

The remodelling of existing stores as well as opening new stores in Germany and other countries are strengthening Real's market position. For example, with 50 hypermarkets in Poland, the sales brand is now one of the largest foreign retail companies in the country. Real rigorously advances its selective expansion abroad and now operates in 5 countries, including Romania with 14 stores, Russia with 10 and Turkey with 11. Market entry in the Ukraine is planned for 2008.

MEDIA MARKT AND SATURN: GROWTH DRIVER OF METRO GROUP

Customer-orientated sales concepts, attention-grabbing marketing and attractive offerings with a favourable price-performance ratio – these key factors stand behind the success of Media Markt and Saturn. The two sales brands have secured the top position in European consumer electronics retailing and continue to extend their market leadership.



Media Markt and Saturn have locations in 15 countries worldwide. In Germany, Media Markt and Saturn are present in 353 locations. This number has already reached 349 in other European countries.

Media Markt und Saturn	2007
Sales	€17.1 billion
EBIT	€614 million
Stores	702 in 15 countries
Total selling space	2.2 million m ²
Employees*	49,046

*Annual average of full-time equivalents

Media Markt and Saturn has developed into Europe's top consumer electronics retailer in recent years. Around 225 million customers visited the consumer electronics centres in the past year. In keeping with its dynamic expansion strategy, the business group is energetically extending its network of stores. In 2007, Media Markt opened its very first store in Turkey and

now has a presence in 15 countries. After having entered the Belgian market, Saturn now operates in 9 European countries. The Media Markt and Saturn sales division already generates more than half of its sales outside Germany.

The exceptional range of services makes Media Markt and Saturn the undisputed market leader in European consumer electronics retailing.

The Media-Saturn Group offers a unique range of branded products in a total of 702 consumer electronics centres. Customers can choose from 45,000 articles from the areas of consumer electronics, household appliances, new media, telecommunications, computers and photography. These include all new products in a market segment marked by rapid technological change. Several flagship stores even offer an assortment of up to 100,000 electronics products.

Beyond their wide spectrum of products, Media Markt and Saturn impresses with service assistance and knowledgeable employees. The services offered range from repairs to delivery and installation of large appliances.

Competitive advantages through decentralised management

The store managers of the consumer electronics centres make their own decisions about the range of goods offered, pricing, staffing and marketing activities. As a result, it is possible to quickly and flexibly respond to local customer needs or competitor campaigns. As co-owners, the store managers are strongly interested in healthy business growth – they assume responsibility for success. Each and every store as well as the overall sales brand – and, above all, the customers – profit from the local entrepreneurial flexibility and creativity. At the same time, the centres benefit strongly from their integration into a high-performance company group. The decentralised management structure makes a significant contribution to the long-term profitable growth of the Media-Saturn group.

Ad campaigns shape image

Media Markt and Saturn has achieved a brand-recognition level of nearly 100 percent in Germany through unconventional, emotional ad campaigns. In the last financial year, both formats succeeded to further sharpening their public images and strengthen their positions as unmistakable retail brands. The Media Markt ad slogan "Ich bin doch nicht blöd" (Actually, I'm not stupid) contributed to this as did the new ad campaign from Saturn. This sales brand is setting a new course with the campaign motto "Wir lieben Technik! Wir hassen teuer!" (We love technology! We hate expensive!). Both campaigns express the Zeitgeist as they not only speak to price-conscious customers but also emphasise the customer-orientated business philosophy of both sales brands.

To further improve customer assistance concerning the environmental friendliness and energy efficiency of electrical equipment, Media Markt and Saturn has been working closely with the EnergieEffizienz Initiative of the German Energy Agency since 2005. The Germany-wide programme focuses on information materials and one-on-one assistance during purchases or advice on energy-efficient use of white goods. In 2007, the campaign PowerPakt also began, encouraging young people to save energy.

Personnel policies counter demographic change

Strong growth and fast expansion increase the need for skilled and motivated specialists. In the financial year 2007, Media Markt and Saturn hired more than 1,170 apprentices. By creating over 1,490 additional jobs, the group was once again among those employers with the most newly hired employees in Germany.

Demographic change is causing a decline in the number of qualified workers. To meet this challenge, Media Markt and Saturn carries out a forward-looking personnel policy. It not only provides the capable young workers of tomorrow but also helps ease the burden on the job market and lessen unemployment among young people.

Activities in the area of primary training: the two sales brands together offer 2,660 apprenticeships

GALERIA KAUFHOF: MULTISPECIALIST WITH AN INTERNATIONAL ASSORTMENT – CONCEPT AND SYSTEM LEADERSHIP IN THE DEPARTMENT STORE SEGMENT

Galeria Kaufhof satisfies customer wishes as a successful, unmistakable lifestyle brand of city-center retail. With its compelling retail brand strategy, the sales brand has developed from being a generalist into being a modern multispecialist with impressive international offerings.



Galeria Kaufhof

2007

Sales	€3.6 billion
EBIT	€107 million
Stores	141 in 2 countries
Total selling space	1.5 million m ²
Employees*	18,820

* Annual average of full-time equivalents

“World-class shopping” – that’s the claim of the new Galeria generation. Newly reopened in 2006, the store on Alexanderplatz in Berlin serves as the prototype. As a lighthouse in the retail landscape, it received numerous awards in the reporting year, including the title “Store of the Year 2007”. In addition, Galeria Kaufhof has also succeeded in implementing its lifestyle-oriented

concept strategy on smaller sales areas. An example of this is the store at Berlin’s Ringcenter, which was opened in March 2007. Customers are responding just as positively to it as they are to numerous department stores that have been refined through modernisation and additional lifestyle brands.

Strengthened focus on the customer

Galeria Kaufhof is aggressively using the opportunity presented by longer opening times. Customers are positively embracing the extended shopping hours, especially in large cities. By using advantageous flexible employee schedule planning supported by a programme, employee scheduling can be more precisely adjusted to the requirements. Well thought-out workflows and simplified selling processes have created more room for customer service.

In 2007, Galeria Kaufhof focused on fashion inspirations as well as on the ability to deliver great value for the money in its marketing activities. Campaigns such as “Jeans für Generationen” (Jeans for generations), “6 Tage Rennen” (Six-day race) and “Geschenke für Generationen” (Gifts for generations) have not only excited customers, but also convinced experts. For instance, among other marketing accolades, Galeria Kaufhof was the first German retail company to receive the EDDI, a coveted award for excellent direct marketing.

Employees as company ambassadors

In 2007, the Kaufhof Warenhaus AG employed a total of 18,820 employees: 17,555 in Germany and 1,265 in Belgium. More than 500 apprentices were newly hired, raising the overall number to 1,600 apprentices.

It is the people who breathe life into the brand. To learn more about employee motivation and identification, Galeria Kaufhof carried out an employee survey in 2007. The results build the foundation for further actions. In light of demographic change, initiatives addressing work-life balance and better

**New quality of
innovative and
event-oriented
shopping**

aligning of family and career are gaining importance. The goal of holistic health-care management is to support employees to maintain their health and fitness with a wide range of centralised and local measures as they get older in order to positively affect their and the company's productivity. Drawing on prevention, integration and rehabilitation measures, it provides job security and promotes employment.

Supply chain further optimised

Numerous actions served to further improve processes. For example, intermediate storage was reduced, thereby lowering costs. The "Pick by Voice" process resulted in a productivity increase of more than 15 percent. This voice-controlled system enables voucherless order picking of merchandise. Logistics functions were also further concentrated: at midyear, the company relinquished its Viernheim logistics location and integrated the volume of its merchandise into the Dietzenbach and Neuss-Norf locations.

Advantages through new technologies and systems

METRO Group is heavily involved in Radio Frequency Identification (RFID). For Galeria Kaufhof the primary focus in this area is the identification of individual articles. At the Essen store, the world's largest integrated RFID installation of this kind was launched in 2007. Further technology improvements include increased use of electronic delivery notes and efficiency improvements through using wireless LAN. Two outlets have initiated a new cash register system as a pilot project that brings significant advantages for customers and employees.

Galeria Inno posts market success

As the only department store in Belgium, Galeria Inno operates 15 outlets in 12 cities. It features fashion and lifestyle with focus on women's and men's fashion, children's clothes, underwear, accessories, jewellery and household goods. Galeria Inno positioned itself as a "house of brands" with fashionable, trend-setting national and international labels. The company has increased both its market share and its sales by continuously adjusting its assortment.

Sportarena satisfies with flexibility

The 13 Sportarena stores are located in prime areas of mid-sized and large cities and boast a solid market position. The Heidelberg, Stuttgart, Frankfurt and Bonn stores were repositioned in 2007 with success. In terms of their structure, presentation of merchandise and customer focus, all stores have been adjusted to current customer expectations and market conditions.

Social commitment with many facets

Galeria Kaufhof takes its social responsibility seriously. The company supports charitable organisations at individual locations as well as nationally. Of special interest is the further development of city centres. Since 1999, Galeria Kaufhof has been a supporter of "Ab in die Mitte" (Go downtown), a city initiative to strengthen the cultural identity of cities in five German federal states. Various city marketing awards are also supported, as is "Standort Innenstadt – Raum für Ideen" (Business location downtown – room for ideas), a joint project of government and retail.

Expertise, customer assistance know-how, motivation and enthusiasm for service all support positioning as a modern lifestyle provider

Streamlined processes and more effective inventory management

RFID ensures efficient instore organisation and sales growth through improved merchandise availability and customer service

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CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2007

€ million	Note no.	2007	2006 ¹
Net sales	1	64,337	58,279
Cost of sales		(50,804)	(46,157)
Gross profit on sales		13,533	12,122
Other operating income	2	1,681	1,833
Selling expenses	3	(11,644)	(10,660)
General administrative expenses	4	(1,392)	(1,234)
Other operating expenses	5	(80)	(53)
Earnings before interest and taxes (EBIT)		2,098	2,008
Result from associated companies	6	0	0
Other investment result	7	11	14
Interest income	8	186	158
Interest expenses	8	(679)	(618)
Other financial result	9	(37)	2
Net financial income		(519)	(444)
Earnings before taxes (EBT)		1,579	1,564
Income taxes	11	(568)	(485)
Income from continuing operations		1,011	1,079
Income from discontinued operations after taxes	43	(28)	117
Net profit for the period		983	1,196
allocable to minorities	12	158	137
from continuing operations		(158)	(137)
from discontinued operations		[–]	[–]
allocable to shareholders of METRO AG		825	1,059
from continuing operations		(853)	(942)
from discontinued operations		[(28)]	(117)
Earnings per share in €	13	2.52	3.24
from continuing operations		[2.61]	[2.88]
from discontinued operations		[(0.09)]	[0.36]

¹Adjustment of previous year's amounts due to discontinued operations and the preliminary accounting for business combinations in 2006

BALANCE SHEET

AS OF 31 DECEMBER 2007

ASSETS

€ million	Note no.	As of 31 Dec 2007	As of 31 Dec 2006 ¹
Non-current assets		18,882	19,014
Goodwill	18, 19	4,328	4,395
Other intangible assets	18, 20	515	473
Tangible assets	18, 21	12,332	12,095
Investment properties	18, 22	116	136
Financial assets	18, 23	152	139
Other receivables and assets	24	490	535
Deferred tax assets	25	949	1,241
Current assets		14,990	13,176
Inventories	26	7,328	6,640
Trade receivables	27	508	481
Financial assets		28	21
Other receivables and assets	24	3,076	2,858
Entitlements to income tax refunds		275	279
Cash and cash equivalents	30	3,433	2,732
Assets held for sale	31	342	165
		33,872	32,190

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

EQUITY AND LIABILITIES

€ million	Note no.	As of 31 Dec 2007	As of 31 Dec 2006 ¹
Equity	32	6,509	6,050
Capital stock		835	835
Additional paid-in capital		2,544	2,544
Reserves retained from earnings		2,876	2,454
Minority interests		254	217
Non-current liabilities		7,357	8,902
Provisions for pensions and similar commitments	33	973	1,023
Other provisions	34	524	511
Financial liabilities	35, 37	5,030	6,279
Other liabilities	35, 38	647	625
Deferred tax liabilities	25	183	464
Current liabilities		20,006	17,238
Trade payables	35, 36	14,088	12,416
Provisions	34	576	715
Financial liabilities	35, 37	2,708	1,748
Other liabilities	35, 38	2,267	2,031
Income tax liabilities	35	337	304
Liabilities related to non-current assets held for sale	31	30	24
		33,872	32,190

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

STATEMENT OF CHANGES IN EQUITY¹

€ million	Capital stock	Capital reserve	Reserves retained from earnings	Total	Minorities	Total equity
1 Jan 2006	835	2,551	1,721	5,107	206	5,313
Net profit for the period ²	–	–	1,059	1,059	137	1,196
Profit distribution	–	–	(334)	(334)	(122)	(456)
Remeasurement IAS 39	–	–	2	2	–	2
Currency translation	–	–	6	6	3	9
Other	–	(7)	0	(7)	(7)	(14)
31 Dec 2006/1 Jan 2007	835	2,544	2,454	5,833	217	6,050
Net profit for the period	–	–	825	825	158	983
Profit distribution	–	–	(366)	(366)	(128)	(494)
Remeasurement IAS 39	–	–	9	9	–	9
Currency translation	–	–	(46)	(46)	(1)	(47)
Other	–	–	–	–	8	8
31 Dec 2007	835	2,544	2,876	6,255	254	6,509

¹Changes in equity are explained in the notes to the consolidated financial statements under no. 32

²Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

CASH FLOW STATEMENT¹

€ million	2007	2006 ²
EBIT	2,098	2,008
Depreciation and amortisation on tangible and intangible assets	1,283	1,234
Change in provisions for pensions and other provisions	(161)	291
Change in net working capital	864	1,135
Income taxes paid	(534)	(544)
Elimination of negative difference Wal-Mart	–	(412)
Other	(350)	(435)
Cash flow from operating activities of continuing operations	3,200	3,277
Cash flow from operating activities of discontinued operations	(8)	(14)
Total cash flow from operating activities	3,192	3,263
First-time consolidation of Wal-Mart	186	108
Company acquisitions (Géant and Marktkauf Russia)	–	(205)
Investments in tangible assets (excl. finance leases)	(1,832)	(1,799)
Other investments	(290)	(266)
Divestment of Extra (previous year: Praktiker)	17	484
Disposals of fixed assets	688	395
Cash flow from investing activities of continuing operations	(1,231)	(1,283)
Cash flow from investing activities of discontinued operations	(35)	(19)
Total cash flow from investing activities	(1,266)	(1,302)
Profit distribution		
to METRO AG shareholders	(366)	(334)
to other shareholders	(128)	(122)
Raising of financial liabilities	1,487	1,419
Redemption/repayment of financial liabilities	(1,741)	(1,568)
Interest paid	(670)	(605)
Interest received	182	168
Profit and loss transfers and other financing activities	(21)	16
Cash flow from financing activities of continuing operations	(1,257)	(1,026)
Cash flow from financing activities of discontinued operations	41	31
Total cash flow from financing activities	(1,216)	(995)
Total cash flows	710	966
Exchange rate effects on cash and cash equivalents	1	(1)
Overall change in cash and cash equivalents	711	965
Cash and cash equivalents on 1 January	2,732	1,767
Cash and cash equivalents on 31 December	3,443	2,732
Less cash and cash equivalents from discontinued operations as of 31 December	10	12
Cash and cash equivalents from continuing operations as of 31 December	3,433	2,720

¹The cash flow statement is explained in the notes under no. 41

²Adjustment of previous year's amounts due to discontinued operations and the preliminary accounting for business combinations in 2006

NOTES TO THE CONSOLIDATED FINANCIAL

SEGMENT REPORTING^{1,2}

Primary segments (divisions)

€ million	Metro Cash & Carry		Real		Media Markt and Saturn	
	2007	2006	2007	2006	2007	2006
External sales (net)	31,698	29,907	11,003	8,775	17,122	15,156
Internal sales (net)	4	47	1	1	11	9
Total sales (net)	31,702	29,954	11,004	8,776	17,133	15,165
EBITDA	1,631	1,510	160	243	822	776
Depreciation/amortisation	388	399	176	173	208	189
EBIT	1,243	1,111	(16)	70	614	587
Investments	859	928	345	863	463	370
Segment assets	13,273	12,382	4,957	4,063	6,893	6,057
Segment liabilities	6,809	6,181	2,301	2,395	6,262	5,359
Employees at closing date (full-time equivalents)	109,437	102,100	55,509	54,076	53,928	45,666
Selling space (in 1,000 m ²)	4,875	4,507	3,103	3,158	2,213	1,914
Locations (number)	615	584	434	442	702	621

Secondary segments (regions)

€ million	Germany		Western Europe without Germany		Eastern Europe	
	2007	2006	2007	2006	2007	2006
External sales (net)	26,330	24,824	20,539	19,439	15,663	12,592
Internal sales (net)	8	13	3	2	–	–
Total sales (net)	26,338	24,837	20,542	19,441	15,663	12,592
EBITDA	1,258	1,378	1,053	1,033	1,073	848
Depreciation/amortisation	676	686	306	300	268	211
EBIT	582	692	747	733	805	637
Investments	704	1,397	493	407	859	1,139
Segment assets	13,472	13,356	10,783	9,801	7,932	6,570
Segment liabilities	8,092	7,794	5,951	5,361	4,132	3,220
Employees at closing date (full-time equivalents)	104,175	103,213	55,036	51,099	80,870	69,029
Selling space (in 1,000 m ²)	6,323	6,442	2,837	2,624	2,503	2,032
Locations (number)	1,259	1,270	558	508	345	289

¹The segment reporting is explained under no. 42

²Adjustment of previous year's amounts due to discontinued operations as well as preliminary accounting for business combinations in 2006

STATEMENTS

		Continuing operations				Discontinued operations	
Galeria Kaufhof		Other companies/consolidation		METRO Group			
2007	2006	2007	2006	2007	2006	2007	2006
3,556	3,609	958	832	64,337	58,279	1,551	1,603
14	13	(30)	(70)	-	-	-	-
3,570	3,622	928	762	64,337	58,279	1,551	1,603
211	192	557	521	3,381	3,242	(18)	(5)
104	110	407	363	1,283	1,234	17	16
107	82	150	158	2,098	2,008	(35)	(21)
107	151	388	699	2,162	3,011	27	22
1,586	1,335	1,401	3,029	28,110	26,866	302	312
1,280	1,025	1,539	1,588	18,191	16,548	20	30
19,838	19,283	16,285	15,240	254,997	236,365	6,379	6,774
1,486	1,487	417	415	12,094	11,481	423	443
141	142	329	330	2,221	2,119	248	259

		Continuing operations				Discontinued operations	
Asia/Africa		Consolidation		METRO Group			
2007	2006	2007	2006	2007	2006	2007	2006
1,805	1,424	-	-	64,337	58,279	1,551	1,603
788	715	(799)	(730)	-	-	-	-
2,593	2,139	(799)	(730)	64,337	58,279	1,551	1,603
(5)	(24)	2	7	3,381	3,242	(18)	(5)
33	35	0	2	1,283	1,234	17	16
(38)	(59)	2	5	2,098	2,008	(35)	(21)
106	68	-	-	2,162	3,011	27	22
1,009	743	(5,086)	(3,604)	28,110	26,866	302	312
502	454	(486)	(281)	18,191	16,548	20	30
14,916	13,024	-	-	254,997	236,365	6,379	6,774
431	383	-	-	12,094	11,481	423	443
59	52	-	-	2,221	2,119	248	259

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 31 December 2007 as adopted by the European Union.

The consolidated financial statements in their present form comply with the stipulations of § 315 of the German Commercial Code (HGB). Together with Directive (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002 concerning the application of international accounting standards, they present the legal basis for group accounting by international standards in Germany.

The present financial statements are based on the historical cost principle except for financial instruments recognised at their fair values and assets and liabilities that are recognised 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 statements.

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 revised and newly released by the IASB whose application was mandatory for the 2007 annual report of METRO AG:

IAS 1 (Presentation of Financial Statements – Capital Disclosures)

The amendment to IAS 1, Capital Disclosures, requires a more extensive presentation of the company's capital resources and capital management as well as information on compliance with external capital requirements.

IFRS 7 (Financial Instruments: Disclosures)

IFRS 7 adds certain new disclosures about financial instruments to those required by IAS 32. The standard requires a grouping of financial instruments into classes of similar instruments as the basis for a presentation of comprehensive information on the significance of the financial instruments for the company's asset, financial and earnings position as well as quantitative and qualitative information on the nature and extent of the risks arising from financial instruments.

IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies)

IFRIC 7 contains guidance on how a company must restate its financial statements if it identifies the existence of hyperinflation in the economy of its functional currency. In this case, the financial statements must be restated as though the economy had always been hyperinflationary. Since this did not apply in any METRO Group countries, IFRIC 7 had no effect on the consolidated financial statements of METRO AG.

IFRIC 8 (Scope of IFRS 2)

IFRIC 8 clarifies that IFRS 2, Share-based Payments, applies to arrangements where a company makes share-based payments for apparently nil or inadequate consideration. The application of IFRIC 8 had no effect on the consolidated financial statements of METRO AG.

IFRIC 9 (Reassessment of Embedded Derivatives)

IFRIC 9 deals with structured financial instruments consisting of a non-derivative host contract and an embedded derivative. IFRIC 9 concludes that an entity must assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the company first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The application of IFRIC 9 had no material effect on the consolidated financial statements of METRO AG.

IFRIC 10 (Interim Financial Reporting and Impairment)

According to IAS 36/IAS 39, a company must not reverse in a subsequent period an impairment loss on goodwill or an investment in certain financial assets (carried at cost) that it had recognised in a prior period. IFRIC 10 clarifies that in such cases an impairment loss recognised (at cost) in an interim period also cannot be reversed. The application of IFRIC 10 had no effect on the consolidated financial statements of METRO AG.

The IASB newly adopted or amended a series of other accounting standards and interpretations that will be binding from 1 January 2008 at the earliest if they are approved by the Council of the European Commission and relevant to METRO Group:

No.	Title	Application from
IAS 1	Presentation of Financial Statements (Amendment)	1 Jan 2009
IAS 23	Borrowing Costs	1 Jan 2009
IFRS 8	Operating Segments	1 Jan 2009
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 Jan 2008
IFRIC 12	Service Concession Arrangements	1 Jan 2008
IFRIC 13	Customer Loyalty Programmes	1 Jan 2009
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset. Minimum Funding Requirements and their Interaction	1 Jan 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 674 domestic (previous year: 698) and 524 (previous year: 466) 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 1 January 2007	1,165
Changes in financial year 2007:	
Companies merged with other consolidated subsidiaries	(28)
Disposal of shareholdings	(19)
Other disposals	(10)
Companies newly founded	89
Other first-time consolidations	2
Status 31 December 2007	1,199

Additions from newly founded companies (89 companies) are due mainly to the expansion of the Media Markt and Saturn sales divisions.

Effects from changes in the consolidation group are, in so far as they are of particular significance, explained in detail in the respective accounts items.

Three associated companies (previous year: 1) were valued according to the equity method. A total of 10 companies (previous year: 13) were not valued at equity. Although METRO AG 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.

A complete list of Group companies and associated companies is published in the electronic Federal Gazette. An overview of all material Group companies is shown under no. 56.

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 financial year on 31 December prepared interim financial statements for consolidation purposes.

Capital consolidation is effected under the purchase method. For business combinations prior to 1 January 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 capitalised as goodwill and amortised 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 amortisation of goodwill was discontinued beginning on 1 January 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 1 January 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 amortised to income. Retroactive purchase price and fair value adjustments within 12 months after the first-time consolidation are recognised at equity with no effect on income. Any negative difference resulting from the first-time consolidation will be considered in income during the period of first-time consolidation.

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 amortisation 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 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.

Intragroup 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 recognised for consolidated transactions.

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 recognised 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 organisationally 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 the financial year 2007, no functional currency of a consolidated company was classified as hyper-inflationary in the meaning of IAS 29.

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

	Average exchange rate in €		Period-end exchange rate in €	
	2007	2006	31 Dec 2007	31 Dec 2006
Bulgarian lev	1.95583	1.95583	1.95583	1.95583
Chinese renminbi	10.41774	10.00962	10.75240	10.27930
Croatian kuna	7.33773	7.32238	7.33080	7.34508
Czech koruna	27.75563	28.33614	26.62800	27.48500
Danish krone	7.45076	7.45929	7.45830	7.45600
Hong Kong dollar	10.69197	9.76158	11.48000	10.26250
Hungarian forint	251.31537	264.19671	253.73000	251.77000
Indian rupee	56.38424	56.78867	57.53550	58.20750
Japanese yen	161.26271	146.11121	164.93000	156.93000
Moldovan leu	16.58439	16.52637	16.25590	17.08700
Moroccan dirham	11.22101	11.04083	11.35420	11.14480
Pakistani rupee	83.21676	75.77332	91.20820	80.15880
Polish zloty	3.78268	3.89517	3.59350	3.83100
Pound sterling	0.68472	0.68174	0.73335	0.67150
New Romanian leu	3.33687	3.52351	3.60770	3.38350
Russian rouble	35.01712	34.12286	35.98600	34.69650
Serbian dinar	79.97668	84.17432	79.23620	79.00000
Singapore dollar	2.06317	1.99512	2.11630	2.02395
Slovak koruna	33.77387	37.20851	33.58300	34.43500
Swedish krona	9.25072	9.25257	9.44150	9.04040
Swiss franc	1.64275	1.57332	1.65470	1.60690
New Turkish lira	1.78636	1.80716	1.71700	1.86400
Ukrainian hryvnia	6.91900	6.34049	7.41946	6.65236
US dollar	1.37065	1.25595	1.47210	1.31700
Vietnamese dong	22,043.14000	20,096.69000	23,142.93000	21,185.09000

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 recognised as expenses upon availment or causation.

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

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

Income taxes

Income taxes concern direct taxes on income and deferred taxes.

Balance sheet

Intangible assets

In accordance with IFRS 3, **goodwill from capital consolidation** will be capitalised 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 is 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 METRO Group, these conditions are met for the organisation unit sales division per country. To determine a possible impairment, the recoverable amount of a CGU is compared to the respective book value of the CGU. An impairment of the goodwill allocated to a CGU applies only if the recoverable amount is lower than the book value.

Purchased other intangible assets are recognised at cost of purchase. **Internally generated intangible assets** are capitalised at cost of conversion if the capitalisation 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 capitalised. Capitalised internally generated software – in line with purchased software – is amortised on a straight-line basis over a period of three to five years because of its **limited useful life**, with licenses being amortised over the term of the respective agreement. Non-scheduled amortisation of the above-mentioned intangible assets is effected at the closing date if the recoverable amount is below the amortised cost. The assets are written back if the reasons for non-scheduled amortisation implemented in previous years have ceased to exist.

Tangible assets

Tangible assets used in operations for a period of more than one year are recognised 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 capitalised 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 capitalised 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), 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 capitalised 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 amortised 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 recognised at cost less scheduled depreciation and potentially require 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 recognised measurement methods or independent expert opinions.

Financial assets

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

Investments 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 recognised at their fair values. If there are no active markets and if the fair values cannot be determined without undue effort, they are recognised at cost. **Securities** are classified as “held until maturity”, “available for sale” and “held for trading”. **Loans** are classified as “loans and receivables”, and therefore recognised at amortised cost based on the effective interest method. Financial assets designated as hedged items as part of a fair value hedge are recognised in income at their fair value.

Fluctuations in the value of “available-for-sale financial assets” are recognised in equity with no effect on income – taking account of deferred taxes where applicable. The amounts recognised 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 recognised 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 capitalised.

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 recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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 of the closing date at the lower of cost or net realisable value.

Merchandise is written down on a case-by-case basis if the anticipated net realisable value declines below the carrying amount of the inventories. Such net realisable 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 recognised at amortised cost. Where their recoverability appears doubtful, the trade receivables are recognised 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 recognised at amortised 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 recognised 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 could subsequently 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 recognised at amortised cost.

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

Deferred income tax assets and liabilities

The disclosed **deferred income tax assets and liabilities** concern domestic and foreign income taxes for the current year as well as prior years. They were determined in compliance with the tax laws of the respective business country.

Cash and cash equivalents

Cash and cash equivalents comprise checks, cash on hand as well as bank deposits and are recognised 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 using biometric data. 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 recognised only if they fall outside of a range of 10 percent of the commitment (corridor method). In that case, they are spread over the average residual service life of the employees with pension entitlements as of the subsequent year and recognised 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 in so far 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 recognised in so far as the factual restructuring commitment was formalised by means of the adoption of a detailed restructuring plan and its communication vis-à-vis those affected as of 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 recognised at their settlement amounts discounted to the balance sheet date.

Liabilities

Trade liabilities are recognised at amortised cost.

In principle, all **financial liabilities** are recognised at amortised 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 recognised at their fair value under IAS 39. Deferred income comprises transitory deferrals.

Contingent liabilities

Contingent liabilities are, on the one hand, **potential** obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of uncertain future events that are not entirely under the company's control. On the other hand, contingent liabilities represent **current** obligations arising from past events for which, however, an outflow of resources is not considered probable or whose size cannot be determined with sufficient certainty. According to IAS 37, such liabilities should not be recognised 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 recognised 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 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 recognised 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 recognised 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 realisation of the hedge transaction. Any potential changes in results due to the ineffectiveness of these financial instruments are recognised in the income statement with an immediate effect on income.

Accounting for share-based remuneration

The stock options (SOP), stock appreciation rights (SAR) and share bonuses granted under the **share-based remuneration programme** 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 recognised in income as personnel expenses. To the extent that the granted share-based payments are hedged, the corresponding hedging transactions are recognised 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 recognised in personnel expenses. The surplus amount of value fluctuations is recognised in equity with no effect on income.

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

In accordance with IFRS 5, a **non-current asset** is classified as “held for sale” if the respective carrying amount is to be realised above all through a sale rather than through continued utilisation. The asset is measured at the lower of carrying amount and fair value less costs to sell and presented separately in the balance sheet.

Also in accordance with IFRS 5, 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 reporting, 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.

CAPITAL MANAGEMENT

The aim of the capital management strategy of METRO Group is to secure the company's continued business operations, to enhance its enterprise value, to create solid capital resources to finance its profitable growth and to provide for attractive dividend payments and capital service.

The capital management strategy of METRO Group has remained unchanged compared to the previous year.

Economic Value Added (EVA)

METRO Group is committed to value-focused company management based on Economic Value Added (EVA). All strategic and operational activities are measured on the basis of their contribution to an enhancement of the company's value. The key focus is on the successful deployment of the company's working capital and the generation of value gains for METRO Group that exceed the cost of capital.

Further information on the development of Economic Value Added is included in the group management report in the section "Development of Economic Value Added".

Rating

METRO Group's ratings by two international agencies communicate the company's creditworthiness to potential debt capital investors. Based on its current ratings, METRO Group has access to all debt capital markets.

Detailed information on METRO Group rating can be found in the notes to the consolidated financial statements in the "financial management" section.

Equity and debt capital, net balance sheet debt in the consolidated financial statements

Equity rose by €459 million to €6,509 million in 2007 compared to the previous year. Debt capital increased by €1,223 million to €27,363 million during the same period. Net balance sheet debt decreased by €947 million to €4,300 million.

€ million	31 Dec 2007	31 Dec 2006 ¹
Equity	6,509	6,050
Debt capital	27,363	26,140
Net debt	4,300	5,247
Financial liabilities (including finance leases)	7,738	8,027
Cash and cash equivalents	3,433	2,732
Term deposits > 3 months < 1 year	5	48

¹Adjustment of previous year's amounts due to preliminary accounting for business combinations in 2006

Local capital requirements

The capital management strategy of METRO Group consistently aims to ensure that the Group companies' capital resources comply with local requirements. During the reporting year, all external capital requirements were fulfilled. This includes, for example, adherence to a maximum level of indebtedness or a fixed equity ratio.

NOTES ON BUSINESS COMBINATIONS

a) Wal-Mart Germany group

The **Wal-Mart Germany group** has been part of METRO Group's Real division since 1 November 2006. Since the fair value of the identified assets, liabilities, contingent liabilities and purchase price was not yet finalised by the previous year's closing date, the first-time consolidation in the Group accounts as of 1 November 2006 was considered preliminary in accordance with IFRS 3.62.

In the 12 months after the first-time consolidation in the Group accounts, retroactive adjustments led to the following adjustments to assets and liabilities as well as the purchase price as per the closure of the transaction:

€ million	Book value before acquisition	Adjustments	Retroactive adjustments	Fair value
Other assets	0	11	(3)	8
Tangible assets	691	(61)	8	638
Deferred tax assets	90	4	4	98
Inventories	173	–	–	173
Receivables and other assets	83	–	–	83
Cash and cash equivalents	95	–	–	95
Provisions	(210)	–	(1)	(211)
Financial liabilities	(309)	(35)	(8)	(352)
Trade liabilities	(148)	–	–	(148)
Other liabilities	(56)	(24)	(2)	(82)
Deferred tax liabilities	(90)	(4)	(2)	(96)
Total acquired assets and liabilities				206
Profit allocable to minorities				13
Negative difference				(410)
Retroactive adjustment of the negative difference				(2)
Retroactive adjustment of the negative purchase price				(193)
Interest on the purchase price receivables				(6)
Received cash and cash equivalents				(95)
Total cash inflow				(294)
Cash inflow 2006				108
Cash inflow 2007				(186)

Since the negative difference increased by €2 million from the original €410 million as a result of retroactive adjustment, the effect was recognised fully in other operating income of the previous year pursuant to IFRS 3.56 (b) in combination with 3.62 (b). The recognition in income is allocable to the Real segment.

b) Géant business

Effective from 1 November 2006, the Polish Real company acquired the Géant business in Poland as part of an asset deal. Since the fair value of the identified assets, liabilities, contingent liabilities and purchase price was not yet finalised by the previous year's closing date, the first-time consolidation in the Group accounts as of 1 November 2006 was considered preliminary in accordance with IFRS 3.62.

In the 12 months following the first-time consolidation in the Group accounts, retroactive adjustments led to the following adjustments to assets and liabilities as per the closure of the transaction:

€ million	Book value before acquisition	Adjustments	Retroactive adjustments	Fair value
Goodwill	–	184	16	200
Other intangible assets	1	3	(3)	1
Tangible assets	124	(39)	–	85
Deferred taxes	–	17	13	30
Inventories	48	–	–	48
Receivables and other assets	4	–	–	4
Provisions	(8)	–	–	(8)
Financial liabilities	(79)	–	–	(79)
Trade payables	(4)	–	–	(4)
Other liabilities	(1)	(66)	(26)	(93)
Total of acquired assets and liabilities = cash outflow¹				184

¹Purchase price

The retroactive adjustments increased goodwill by €16 million. In accordance with the synergy effects of the Géant acquisition on the result of METRO Group sales divisions, goodwill of €4 million was attributed to the Metro Cash & Carry segment in Poland and goodwill of €12 million to the Real segment in Poland.

c) Marktkauf Russia

With effect from 30 November 2006, Real International Holding GmbH acquired 100 percent of the shares in a hypermarket operated by Marktkauf in Moscow, Russia.

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

€ million	Book value before acquisition	Adjustments	Retroactive 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 liabilities¹				35
Cash inflow				(14)
Cash outflow				21

¹Purchase price

The declared goodwill represents strategic and location-related benefits.

The first-time consolidation of the acquired company in the accounts of METRO Group was carried out in accordance with the regulations of IFRS 3 in combination with IAS 27. The fair values of the identified assets, liabilities, contingent liabilities and purchase price, which were still considered preliminary at the previous year's closing date, were subject to no further adjustments in the 12 months after first-time consolidation in the Group accounts as of 30 November 2006.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Net sales

Breakdown of net sales:

€ million	2007	2006
Metro Cash & Carry	31,698	29,907
Real	11,003	8,775
Media Markt and Saturn	17,122	15,156
Galeria Kaufhof	3,556	3,609
Other companies ¹	958	832
	64,337	58,279

¹The sales listed under other companies were mainly generated by Adler fashion stores at €518 million (previous year: €539 million) and the Dinea group at €204 million (previous year: €202 million) and METRO Group Buying at €162 million (previous year: €7 million)

A total of €38.0 billion in net sales (previous year: €33.5 billion) was generated by group companies based outside of Germany.

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

2. Other operating income

€ million	2007	2006
Rents	496	464
Services/cost refunds	334	300
Services rendered to suppliers	177	137
Income from sale-and-lease-back transactions	147	85
Commissions	132	99
Gains from the disposal of fixed assets and from write-ups	99	47
Central A/P clearing for sales divisions	60	54
Income from damages and indemnities	20	20
Income from construction services	18	5
Earnings from the first-time consolidation of the Wal-Mart Germany group	–	412
Other	198	210
	1,681	1,833

The decrease in other operating income results from the earnings received in the previous year from the first-time consolidation of the Wal-Mart Germany group. The increase in miscellaneous earnings, particularly from property sales, which are recognised in income from the disposal of fixed assets and income from sale-and-lease-back transactions, partially compensates for this decrease.

Other operating income includes a number of individual items.

3. Selling expenses

€ million	2007	2006
Personnel expenses	5,524	5,120
Cost of materials	6,120	5,540
	11,644	10,660

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

In addition, the increases in selling expenses result from the first-time consolidation of the Wal-Mart Germany group and the Géant business in Poland in November 2006.

The cost of materials primarily consists of expenses for advertising, rent, depreciation and building costs (energy, maintenance, etc.) and includes one-time real estate expenses of around €40 million.

4. General administrative expenses

€ million	2007	2006
Personnel expenses	725	653
Cost of materials	667	581
	1,392	1,234

The increases in personnel expenses result primarily from the expansion of the Metro Cash & Carry and Media Markt and Saturn sales divisions.

The increase in the cost of materials is attributable, among other things, to €15 million extra in consulting services costs, €9 million for higher maintenance expenses and €8 million for increased depreciation.

5. Other operating expenses

€ million	2007	2006
Losses from the disposal of fixed assets	26	17
Expenses for construction services	15	0
Other	39	36
	80	53

Losses from the disposal of fixed assets primarily concern the Real sales division.

Income from construction services in the amount of €18 million offsets the increase in expenses for construction services.

The remaining other operating expenses include expenses of €11 million for the transfer of freight compensation to Praktiker as well as a number of individual items.

6. Result from associated companies

As in the previous year, the result from associated companies amounts to €0 million.

7. Other investment income

Profit distribution accounts for the main portion of other investment income in the amount of €11 million (previous year: €14 million).

8. Interest income/interest expenses

Net interest income can be broken down as follows:

€ million	2007	2006
Interest income	186	158
thereof finance leases	[0]	[0]
thereof pension provisions	[52]	[49]
thereof financial instruments of the IAS 39 measurement categories:		
loans and receivables including cash and cash equivalents	[102]	[75]
held to maturity	[–]	[0]
held for trading including derivatives within hedges in accordance with IAS 39	[0]	[18]
available for sale	[0]	[0]
Interest expenses	(679)	(618)
thereof finance leases	[(131)]	[(120)]
thereof pension provisions	[(96)]	[(119)]
thereof financial instruments of the IAS 39 measurement categories:		
held for trading including derivatives within hedges in accordance with IAS 39	[(10)]	[(15)]
other financial liabilities	[(380)]	[(330)]
	(493)	(460)

The interest earnings and interest expenses from financial instruments are assigned to IAS 39 measurement categories on the basis of the underlying transactions.

9. Other financial result

€ million	2007	2006
Other financial income	186	173
thereof currency effects	[163]	[104]
thereof hedging transactions	[20]	[67]
Other financial expenses	[223]	[171]
thereof currency effects	[(170)]	[(114)]
thereof hedging transactions	[(35)]	[(47)]
Other financial result	(37)	2
thereof financial instruments of IAS 39 measurement categories:		
loans and receivables including cash and cash equivalents	[(19)]	[0]
held to maturity	[–]	[–]
held for trading	[(14)]	[18]
available for sale	[–]	[0]
other financial liabilities	[(2)]	[(18)]
thereof fair value hedges:		
underlying transactions	[(6)]	[21]
hedging transactions	[6]	[(21)]
thereof cash flow hedges:		
ineffectiveness	[(1)]	[2]

The other financial income and expenses from financial instruments are assigned to measurement categories on the basis of the underlying transactions pursuant to IAS 39. Besides income and expenses from the measurement of financial instruments according to IAS 39, this also includes the measurement of foreign currency positions according to IAS 21.

The overall result from currency effects and measurement results from hedging transactions and hedging relationships totals €–22 million (previous year: €+10 million) and stems mostly from foreign currency financing in Russia and Romania. Because of weaker Romanian and Russian currencies, this was reassessed at the end of the year. In the case of unchanged exchange rates, the resulting expense will be recognised in cash when the financings are released. For possible effects from currency risks, see no. 44.

10. Net results according to measurement category

The key effects on earnings from financial instruments are as follows:

2007

€ million	Invest- ments	Interest	Fair value measure- ments	Currency translation	Disposals	Impair- ment	Other	Net result 2007
Loans and receivables including cash and cash equivalents	–	102	–	(18)	(1)	(58)	0	25
Held to maturity	–	–	–	–	–	–	–	–
Held for trading including derivatives within hedges in accordance with IAS 39	–	(10)	(15)	–	–	–	–	(25)
Available for sale	11	0	–	–	–	–	–	11
Other financial liabilities	–	(380)	–	11	5	–	(13)	(377)
Total	11	(288)	(15)	(7)	4	(58)	(13)	(366)

2006

€ million	Invest- ments	Interest	Fair value measure- ments	Currency translation	Disposals	Impair- ment	Other	Net result 2006
Loans and receivables including cash and cash equivalents	–	75	–	(2)	1	(26)	1	49
Held to maturity	–	0	–	–	–	0	–	0
Held for trading including derivatives within hedges in accordance with IAS 39	–	3	20	–	–	–	–	23
Available for sale	14	0	0	–	–	–	–	14
Other financial liabilities	–	(330)	–	(8)	4	–	(9)	(343)
Total	14	(252)	20	(10)	5	(26)	(8)	(257)

Earnings and expenses from financial instruments are assigned to measurement categories on the basis of the underlying transactions pursuant to IAS 39.

Investment income is included in other investment income. Interest earnings and expenses are part of interest income. Fair value measurements and effects from currency translations are included in other financial income. Expenses from write-downs comprise a major component of operating earnings (EBIT) and are detailed in the section on “impairment of capitalised financial instruments”. Remaining financial earnings and expenses primarily relate to effects from expired liabilities as well as bank commissions and similar expenses that are incurred within the context of assets and liabilities.

11. Income taxes

Income taxes include taxes on income paid or due in the individual countries as well as deferred tax liabilities. The German companies of METRO Group are subject to an average tax rate of 17.35 percent of business income. This amount can be deducted when calculating corporate income tax. Corporate income tax amounts to 25.00 percent, plus a 5.50 percent solidarity surcharge on corporate income tax. The aggregate tax rate is 39.15 percent.

As a result of the reform of corporate taxation in Germany, deferred taxes were recognised with the future average trade tax rate of 14.70 percent, the future corporate income tax rate of 15.00 percent as well as a solidarity surcharge of 5.50 percent. As a result, the overall tax rate for calculating deferred taxes in Germany came to 30.53 percent.

Deferred taxes are determined on the basis of the tax rates expected in each country upon realisation. In principle, the rates applied are those contained in 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	2007	2006
Taxes paid or due	576	585
thereof in Germany	[158]	[196]
thereof abroad	[418]	[389]
Deferred taxes	[8]	[100]
Income tax expenses	568	485

The decrease in domestic taxes paid or due is attributable, among other things, to the Media Markt and Saturn sales division. Due to the deviating financial year until 30 September, the lower tax rates resulting from corporate tax reform already applied in the fourth quarter. The increase abroad was due mostly to positive developments in Eastern Europe.

Included in paid or due taxes is €5 million of tax income (previous year: €7 million) that is attributable to earlier periods.

Excluding consideration of effects from tax rate changes, deferred tax assets totalled €112 million (previous year: €79 million) from the origination and release of temporary differences. One-time expenses from tax rate changes in the amount of €127 million had an offset effect resulting in deferred tax liabilities from temporary differences in the amount of €15 million in the financial year 2007. Expenses of €125 million from tax rate changes are attributable to the tax rate reduction resulting from corporate tax reform in Germany and the necessary revaluation of deferred tax assets and liabilities.

Deferred taxes in the amount of €4 million (previous year: €0 million) lowered equity without an effect on income.

At €568 million (previous year: €485 million), income tax expenses are €50 million lower (previous year: €127 million) than expected tax expenses of €618 million (previous year: €612 million) that would have resulted if the German corporate income tax rate had been applied to the group's taxable income for the year.

Reconciliation of estimated to actual income tax expenses:

€ million	2007	2006
Group earnings before taxes	1,579	1,564
Expected income tax expenses (39.15%)	618	612
Effects of differing national tax rates	(48)	(164)
Badwill Wal-Mart Germany group	–	(161)
Write-downs on deferred tax assets on tax loss carry-forwards at Real Germany (including Wal-Mart Germany group in 2006)	–	122
Tax expenses and income relating to other periods	(8)	6
Non-deductible business expenses	71	88
Other deviations	(65)	(18)
Income tax expenses	568	485

The one-time effect in the amount of €125 million from the restatement of deferred tax assets and liabilities connected to corporate tax reform in Germany is included in the “effects of differing national tax rates”.

“Other deviations” primarily include effects in the amount of €–57 million from the taxation-relevant divestment of the Extra sales brand.

12. Income attributable to minority interests

Of income attributable to minority interests, profit shares accounted for €187 million (previous year: €160 million) and loss shares for €29 million (previous year: €23 million). This mainly concerns profit/loss shares of minority interests in the Metro Cash & Carry and Media Markt and Saturn sales divisions.

13. Earnings per share

METRO AG defines earnings per share as earnings per ordinary share. In 2006, holders of preference shares of METRO AG were entitled to a dividend of €1.232 that was €0.112 higher than that paid to holders of ordinary shares. In the calculation of earnings per share, this additional dividend is deducted from profits attributable to METRO AG shareholders.

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

There was no dilution in the financial year 2007 or the year before from so-called potential shares.

	2007	2006
Weighted number of no-par-value shares outstanding	326,787,529	326,787,529
Income attributable to METRO AG shareholders (€ million)	825	1,059
Earnings per share (€)	2.52	3.24

Earnings per share of preference shares amount to €2.64 (previous year: €3.35) in the financial year 2007 and thus exceed earnings per share by the amount of the additional dividend of €0.118.

Earnings per share from continuing operations total €2.61 (previous year: €2.88).

14. Depreciation/amortisation

€ million	2007	2006
Scheduled depreciation on tangible and intangible assets and investment properties	1,245	1,158
Non-scheduled write-downs on tangible and intangible assets and investment properties	38	76
Write-downs on non-current financial assets	0	0
	1,283	1,234

Real estate accounts for €26 million of non-scheduled write-downs (previous year: €70 million), including €6 million for investment properties (previous year: €12 million). No write-downs on investments were carried out (previous year: €0 million).

Non-scheduled write-downs were fully included in selling expenses (previous year: €62 million).

Real accounts for €5 million (previous year: €51 million) of non-scheduled write-downs; other companies account for €33 million (previous year: €25 million).

In accordance with IFRS 5, depreciation/amortisation of the Extra supermarkets in the amount of €18 million (previous year: €17 million) is recognised in current income from continuing operations.

15. Cost of materials

The cost of sales includes the following cost of materials:

€ million	2007	2006
Cost of raw materials, supplies and goods purchased	50,673	45,997
Cost of services purchased	53	48
	50,726	46,045

16. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2007	2006
Wages and salaries	5,613	5,143
Social security payments, expenses for pensions and related employee benefits	1,166	1,100
thereof pension expenses	[68]	[43]
	6,779	6,243

Personnel expenses also include prorated expenses for share-based payments totalling €24 million (previous year: €24 million).

Annual average number of Group employees:

Number of employees	2007	2006
Blue collar/white collar	281,455	253,117
Apprentices/trainees	10,381	10,266
	291,836	263,383

The above figure includes an absolute number of 96,581 (previous year: 94,851) part-time employees. The percentage of employees working outside Germany (full-time equivalents) rose to 57.7 percent from 55.4 percent the year before.

17. Other taxes

Other taxes of €117 million (previous year: €123 million) are included in the cost of sales and the selling and administrative expenses.

NOTES TO THE BALANCE SHEET

18. Tangible and intangible assets

€ million	Goodwill	Other intangible assets	Tangible assets	Investment properties	Financial assets	Total fixed assets
Acquisition or production costs						
At 1 Jan 2006	4,154	868	17,756	411	162	23,351
Currency translation	2	(1)	2	–	0	3
Additions to consolidation group ¹	222	10	738	0	11	981
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 31 Dec 2006/1 Jan 2007	4,395	995	19,403	296	163	25,252
Currency translation	13	(1)	(89)	–	0	(77)
Additions to consolidation group	0	–	5	–	–	5
Additions	29	203	1,903	1	53	2,189
Disposals	(109)	(47)	(1,106)	(23)	(62)	(1,347)
Transfers	0	3	(56)	18	24	(11)
At 31 Dec 2007	4,328	1,153	20,060	292	178	26,011
Depreciation/amortisation						
At 1 Jan 2006	–	435	6,719	183	26	7,363
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 31 Dec 2006/1 Jan 2007	–	522	7,308	160	24	8,014
Currency translation	–	0	(25)	–	1	(24)
Additions, scheduled	–	139	1,116	6	–	1,261
Additions, non-scheduled	–	12	21	6	1	40
Disposals	–	(35)	(646)	(9)	(10)	(700)
Write-ups	–	0	(13)	–	0	(13)
Transfers	–	0	(33)	13	10	(10)
At 31 Dec 2007	–	638	7,728	176	26	8,568
Book value at 1 Jan 2006	4,154	433	11,037	228	136	15,988
Book value at 31 Dec 2006	4,395	473	12,095	136	139	17,238
Book value at 31 Dec 2007	4,328	515	12,332	116	152	17,443

¹Adjustment of previous year's additions to consolidation group due to the preliminary accounting for business combinations in 2006

Assets of the discontinued Extra activities, with a book value totalling €175 million, are included in disposals for the financial year.

19. Goodwill

Of goodwill in the amount of €4,328 million (previous year: €4,395 million) as of 31 December 2007, €3,979 million (previous year: €4,052 million) concerns differences resulting from the capital consolidation, and €349 million (previous year: €343 million) concerns goodwill taken from individual financial statements.

Because of retroactive adjustments in connection with the acquisition of the Géant business, the previous year's goodwill was adjusted by €16 million. From this, €12 million is allocable to Real Poland and €4 million to Metro Cash & Carry Poland.

In the financial year 2007, Extra Germany goodwill (€109 million) was transferred to "non-current assets held for sale".

As a result of the recognition of put options, the resulting goodwill of Media Markt and Saturn rose by €29 million in 2007 (previous year: €12 million).

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

€ million	31 Dec 2007	31 Dec 2006
Real Germany	1,083	1,083
Metro Cash & Carry France	398	398
Metro Cash & Carry Netherlands	351	351
Metro Cash & Carry Poland	265	262
Metro Cash & Carry Hungary	239	239
Media Markt and Saturn Germany	227	211
Metro Cash & Carry Germany	223	223
Adler fashion stores Germany	218	218
Metro Cash & Carry Italy	171	171
Real Poland	164	154
Metro Cash & Carry Belgium	145	145
Metro Cash & Carry Portugal	91	91
Media Markt and Saturn Italy	79	76
Adler fashion stores Austria	78	78
Kaufhof Warenhäuser Belgium	57	57
Media Markt and Saturn Spain	54	51
Metro Cash & Carry Spain	51	51
Metro Cash & Carry Greece	45	45

Chart continued on next page

€ million	31 Dec 2007	31 Dec 2006
Metro Cash & Carry United Kingdom	37	37
Metro Cash & Carry Austria	27	27
Media Markt and Saturn Netherlands	24	22
Real Russia	21	22
Media Markt and Saturn Poland	20	17
Media Markt and Saturn Austria	19	17
Media Markt and Saturn Switzerland	18	17
Metro Cash & Carry China	17	17
Metro Cash & Carry Denmark	16	16
Adler fashion stores Luxembourg	16	16
Extra Germany	0	109
Other companies	174	174
Total	4,328	4,395

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 whichever is the higher value: 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. As a rule, the detailed planning period comprises three years. As in the previous year, the growth rates considered at the end of the detailed planning period are usually 1.0 percent. The capitalisation rate as the weighted average cost of capital was determined using the capital asset pricing model. The individually determined capitalisation rates amount to between 7.2 percent and 8.5 percent. The impairment test confirmed the recoverability of the capitalised goodwill. As in the previous year, there was therefore no need for extraordinary amortisations.

20. Other intangible assets

€ million	Concession franchises, trademarks and similar rights, licenses and other such rights	(thereof internally generated intangible assets)	Prepayments	Total
Acquisition or production costs				
At 1 Jan 2006	867	[320]	1	868
Currency translation	(1)	[(1)]	0	(1)
Change in consolidation group ¹	10	[0]	–	10
Additions	167	[112]	0	167
Disposals	[36]	[(2)]	0	[36]
Transfers	[12]	[6]	(1)	[13]
At 31 Dec 2006/1 Jan 2007	995	[435]	–	995
Currency translation	(1)	[0]	–	(1)
Additions to consolidation group	–	[–]	–	–
Additions	203	[130]	–	203
Disposals	[47]	[(23)]	–	[47]
Transfers	3	[2]	–	3
At 31 Dec 2007	1,153	[544]	–	1,153
Depreciation/amortisation				
At 1 Jan 2006	435	[134]	–	435
Currency translation	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 31 Dec 2006/1 Jan 2007	522	[192]	–	522
Currency translation	0	[0]	–	0
Additions, scheduled	139	[99]	–	139
Additions, non-scheduled	12	[0]	–	12
Disposals	[35]	[(13)]	–	[35]
Write-ups	0	[–]	–	0
Transfers	0	[0]	–	0
At 31 Dec 2007	638	[278]	–	638
Book value on 1 Jan 2006	432	[186]	1	433
Book value on 31 Dec 2006	473	[243]	–	473
Book value on 31 Dec 2007	515	[266]	–	515

¹Adjustment of previous year's additions to consolidation group due to the preliminary accounting for business combinations in 2006

The other intangible assets have a finite useful life and are therefore amortised as scheduled. The non-scheduled write-downs of €12 million (previous year: €3 million) concern lease rights and licenses.

The additions to amortisations on intangible assets are shown in cost of sales at an amount of €4 million (previous year: €3 million), in selling expenses at an amount of €76 million (previous year: €65 million)

and in administrative expenses at an amount of €68 million (previous year: €47 million). An additional €3 million (previous year: €2 million) are attributable to income from discontinued operations.

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 €4 million (previous year: €5 million) for intangible assets were made.

21. Tangible assets

€ million	Land and buildings	Plant and machinery	Other plant, business and office equipment	Assets under construction	Total
Acquisition or production costs					
At 1 Jan 2006	12,292	13	5,103	348	17,756
Currency translation	11	0	(9)	0	2
Change in consolidation group ¹	666	–	70	2	738
Additions	515	0	602	732	1,849
Disposals	(468)	0	(408)	(9)	(885)
Transfers	522	–	168	(747)	(57)
At 31 Dec 2006/1 Jan 2007	13,538	13	5,526	326	19,403
Currency translation	(56)	0	(26)	(7)	(89)
Change in consolidation group	5	–	0	–	5
Additions	492	1	686	724	1,903
Disposals	(619)	0	(479)	(8)	(1,106)
Transfers	517	–	171	(744)	(56)
At 31 Dec 2007	13,877	14	5,878	291	20,060
Depreciation/amortisation					
At 1 Jan 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 31 Dec 2006/1 Jan 2007	3,731	10	3,562	5	7,308
Currency translation	(8)	0	(17)	0	(25)
Additions, scheduled	588	1	527	–	1,116
Additions, non-scheduled	20	–	1	–	21
Disposals	(262)	0	(384)	0	(646)
Write-ups	(5)	–	(8)	–	(13)
Transfers	(41)	–	8	–	(33)
At 31 Dec 2007	4,023	11	3,689	5	7,728
Book value on 1 Jan 2006	8,954	4	1,737	342	11,037
Book value on 31 Dec 2006	9,807	3	1,964	321	12,095
Book value on 31 Dec 2007	9,854	3	2,189	286	12,332

¹Adjustment of previous year's additions to consolidation group due to the preliminary accounting for business combinations in 2006

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

Disposals from tangible assets resulted from the sale of real estate in the amount of €273 million and, with €56 million, the reclassification of assets of the discontinued division in "non-current assets held for sale".

The non-scheduled depreciation/amortisation in the amount of €20 million (previous year: €58 million) resulted from lower market values of real estate and buildings.

Limitations to the disposal of assets in the form of liens and encumbrances amounted to €646 million (previous year: €760 million). The property lien entered into the land register amounts to €630 million (previous year: €698 million).

Purchasing obligations for tangible assets in the amount of €260 million (previous year: €202 million) were made.

Assets used by the Group under the terms of finance lease agreements were valued at €1,415 million (previous year: €1,519 million). The assets involved are mainly leased buildings.

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 3.0 and 17.0 percent.

In addition to finance leases, 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.

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)	233	948	1,819
Discounts	(13)	(174)	(813)
Present value	220	774	1,006
Operating leases			
Future lease payments due (nominal)	1,278	4,225	4,465

Payments due on finance leases contain payments amounting to €160 million (previous year: €168 million) for options to purchase assets at favourable prices.

The nominal value of future lease payments to METRO Group coming from the subleasing of assets held under finance leases amounts to €401 million (previous year: €441 million).

The nominal value of future lease payments to METRO Group resulting from the subleasing of assets held under operating leases amounts to €1,125 million (previous year: €1,266 million).

The Group net profit for the period contains payments made under leasing agreements amounting to €1,311 million (previous year: €1,186 million) and payments received under subleasing agreements amounting to €426 million (previous year: €404 million).

Lease payments due in the indicated periods from entities outside 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)	3	9	8
Discounts	0	(1)	(3)
Present value	3	8	5
Operating leases			
Future lease payments due (nominal)	24	84	113

From the perspective of the lessor, the non-guaranteed residual value must be added to the nominal minimum lease payments of €20 million (previous year: €6 million) in existing finance leases. The non-guaranteed residual value amounts to €8 million for the financial year (previous year: €0 million). The resulting gross investment amount is thus €28 million (previous year: €6 million). In addition, there is an unrealised amount from finance leases of €5 million (previous year: €1 million).

22. Investment properties

Real estate held as investment properties is recognised at amortised cost. As of 31 December 2007, this amounted to €116 million (previous year: €136 million). The fair value of these properties is determined by means of a proprietary evaluation using recognised measurement methods. It totals €150 million (previous year: €190 million). Rental income from the properties amounts to €9 million (previous year: €14 million). The related expenses amount to €7 million (previous year: €18 million).

23. Financial assets

€ million	Shares in group companies	Loans	Investments	Securities	Total
Acquisition or production costs					
At 1 Jan 2006	4	111	44	3	162
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 31 Dec 2006/1 Jan 2007	0	123	38	2	163
Currency translation	–	0	0	0	0
Change in consolidation group	–	–	–	–	–
Additions	0	53	0	0	53
Disposals	0	(62)	0	0	(62)
Transfers	–	22	2	0	24
At 31 Dec 2007	0	136	40	2	178
Depreciation/amortisation					
At 1 Jan 2006	1	8	17	–	26
Currency translation	–	2	(1)	–	1
Additions, scheduled	–	–	0	0	0
Additions, non-scheduled	–	1	0	–	1
Disposals	–	–	(2)	–	(2)
Write-ups	–	–	(1)	–	(1)
Transfers	(1)	–	–	–	(1)
At 31 Dec 2006/1 Jan 2007	0	11	13	0	24
Currency translation	–	0	1	0	1
Additions, scheduled	–	–	–	–	–
Additions, non-scheduled	–	1	0	0	1
Disposals	–	(10)	0	–	(10)
Write-ups	–	0	–	–	0
Transfers	–	8	2	–	10
At 31 Dec 2007	0	10	16	0	26
Book value on 1 Jan 2006	3	103	27	3	136
Book value on 31 Dec 2006	0	112	25	2	139
Book value on 31 Dec 2007	0	126	24	2	152

The carrying amounts of investments contain €2 million (previous year: €2 million) in three associated companies.

24. Other receivables and assets

€ million	31 Dec 2007			31 Dec 2006		
	Total	Remaining term		Total	Remaining term	
		up to 1 year	over 1 year		up to 1 year	over 1 year
Due from suppliers	1,759	1,759	0	1,583	1,583	0
Other tax receivables	402	402	–	322	322	–
Prepaid expenses and deferred charges	323	76	247	321	77	244
Other assets	1,082	839	243	1,167	876	291
	3,566	3,076	490	3,393	2,858	535

The increase in receivables due from suppliers results primarily from the Media Markt and Saturn sales division.

The item of prepaid expenses and deferred charges includes prorated rental, leasing and interest prepayments as well as other deferments.

The decrease in other assets is due largely to the discharge of purchase price receivables from the addition of the Wal-Mart Germany group.

25. Deferred taxes

Deferred tax assets on loss carry-forwards and temporary differences amount to €949 million, a decrease of €292 million compared with the previous year. The book value of deferred tax liabilities declined to €183 million, €281 million lower than the previous year's level.

The decline in deferred tax assets and deferred tax liabilities is essentially due to the devaluation of deferred taxes in Germany as a result of the corporate tax reform as well as a higher offset through the consolidation of Real Germany within METRO AG tax group.

Deferred taxes recognised concern the following balance sheet items:

€ million	31 Dec 2007		31 Dec 2006 ¹	
	Asset	Liability	Asset	Liability
Goodwill	431	148	435	125
Other intangible assets	221	42	287	85
Tangible assets and investment properties	113	747	127	974
Financial assets	19	9	8	2
Inventories	70	21	56	35
Other receivables and assets	79	99	58	100
Provisions for pensions and similar commitments	108	8	136	8
Other provisions	103	31	137	37
Financial liabilities	585	3	750	2
Other liabilities	103	56	99	20
Outside basis differences	–	13	–	16
Loss carry-forwards	111	–	88	–
Total	1,943	1,177	2,181	1,404
Offset	[994]	[994]	[940]	[940]
Book value of deferred taxes	949	183	1,241	464

¹Adjustment of previous year's amounts by €17 million in deferred tax assets and €2 million in deferred tax liabilities due to the preliminary accounting for business combinations in 2006

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 realised 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 the financial year 2007.

No deferred tax assets were created from corporate income tax losses of €6,465 million (previous year: €6,345 million), trade tax losses of €7,320 million (previous year: €7,280 million) and temporary differences of €50 million (previous year: €128 million) as a short-term utilisation of these losses is not expected. The losses are largely in Germany and can be carried forward indefinitely.

26. Inventories

€ million	31 Dec 2007	31 Dec 2006
Food merchandise	2,009	1,895
Nonfood merchandise	5,319	4,745
	7,328	6,640

Inventories can be broken down by sales division as follows:

€ million	31 Dec 2007	31 Dec 2006
Metro Cash & Carry	2,523	2,296
Real	993	1,058
Media Markt and Saturn	2,900	2,404
Galeria Kaufhof	545	567
Other companies	367	315
	7,328	6,640

Business expansion – in particular of international activities – led to an increase in inventories at the Metro Cash & Carry and Media Markt and Saturn sales divisions. At the Galeria Kaufhof sales division, stock optimisation measures resulted in lower inventories.

The decrease in inventories at the Real sales division is largely attributable to the reclassification of the Extra business in the item “assets held for sale” (€–119 million). The decrease was lessened through a limited expansion of the inventory build-up for Real’s international business.

During the reporting year, write-downs of €343 million were carried out (previous year: €335 million).

27. Trade receivables

Trade receivables amounted to €508 million (previous year: €481 million). Of that total, €5.9 million (previous year: €0.4 million) is due in over one year.

In addition to METRO Group’s expansion in business activities, this increase is due mostly to the higher share of payments with debit memo procedure as well as extended terms of payment.

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

28. Impairment of capitalised financial instruments

Impairments of capitalised financial instruments that are measured at amortised cost are as follows:

€ million	Category "loans and receivables"	Category "held to maturity"
As of 1 Jan 2006	(137)	0
Currency translation	0	0
Change in consolidation group	(6)	–
Additions	(59)	0
Disposals	24	–
Utilisation	37	–
Transfer	(2)	–
Status 31 Dec 2006/1 Jan 2007	(143)	0
Currency translation	0	0
Change in consolidation group	0	–
Additions	(85)	–
Disposals	26	–
Utilisation	35	–
Transfer	(1)	–
Status 31 Dec 2007	(168)	0

Negative earnings effects from impairment in the amount of €–58 million (previous year: €–26 million) existed in the "loans and receivables" category. This also includes earnings from the receipt of cash and cash equivalents from receivables of €1 million (previous year: €9 million) released due to expected irrecoverability. No earnings effects existed in the category "held to maturity" (previous year: €0 million).

29. Book value of overdue capitalised financial instruments not adjusted for bad debt

The following capitalised financial instruments were overdue as of the closing date and were not adjusted for bad debt.

€ million	Total book value 31 Dec 2007	thereof not adjusted for bad debt and overdue as of the closing date				
		within the last 90 days	for 91 to 180 days	for 181 to 270 days	for 271 to 360 days	for over 360 days
Assets						
in the category "loans and receivables"	3,084	514	29	11	8	34
in the category "held to maturity"	0	-	-	-	-	-
in the category "held for trading"	7	-	-	-	-	-
in the category "available for sale"	35	-	-	-	-	-
Total	3,126	514	29	11	8	34

€ million	Total book value 31 Dec 2006	thereof not adjusted for bad debt and overdue as of the closing date				
		within the last 90 days	for 91 to 180 days	for 181 to 270 days	for 271 to 360 days	for over 360 days
Assets						
in the category "loans and receivables"	2,991	373	28	9	14	28
in the category "held to maturity"	0	-	-	-	-	-
in the category "held for trading"	20	-	-	-	-	-
in the category "available for sale"	30	-	-	-	-	-
Total	3,041	373	28	9	14	28

Loans and receivables due within the last 90 days largely result from standard business payment transactions without or with short-term payment targets. For non-adjusted loans and receivables over 90 days overdue, there is no indication as of the closing date that debtors will not fulfil their payment obligations. This is also the case for all capitalised financial instruments that are not overdue and not adjusted for bad debt.

30. Cash and cash equivalents

€ million	31 Dec 2007	31 Dec 2006
Checks and cash on hand	114	178
Bank balances	3,319	2,554
	3,433	2,732

The increase in cash and cash equivalents is largely attributable to strong sales at the Media Markt and Saturn and Metro Cash & Carry sales divisions in the second half of December as well as sales of real estate at the end of the year.

31. Assets held for sale

The assets and liabilities shown in the previous year's consolidated financial statements in the items "assets held for sale" or "liabilities related to assets held for sale" concerned a total of 39 domestic properties that were divested during the second quarter of 2007 for a selling price of €184 million.

In December 2007, METRO Group determined to give up the supermarket sales format and thus divest of its operational Extra supermarkets. All assets and liabilities held for sale by these Extra supermarkets were treated as assets held for disposal according to IFRS 5 and accounted for in the item "assets held for sale" or "liabilities related to assets held for sale".

By contractual agreement of 17 January 2008, the Extra supermarkets were sold to the Rewe Group. The agreement is subject to approval by the merger control authorities.

At 31 December 2007, METRO Group purchased domestic real estate by exercising a purchase option from a leasing arrangement, in which a further sale was already planned within a year of the purchase. With a book value of about €20 million, this real estate was also accounted for in the item "assets held for sale" according to IFRS 5.

In the segment report, the thus classified real estate is shown in the items "segment assets" and "other companies/consolidation".

Non-scheduled write-downs to their fair value less the cost of disposal were neither required for the business held for disposal nor for the property held for sale.

32. Equity

In terms of amount and composition, i.e. the ratio of ordinary to preference shares, subscribed capital has not changed compared with 31 December 2006 and totals €835,419,052.27. It is divided as follows:

No-par-value bearer shares, accounting par value approx. €2.56		31 Dec 2007	31 Dec 2006
Ordinary shares	Shares	324,109,563	324,109,563
	€	828,572,941	828,572,941
Preference shares	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 ordinary share of METRO AG grants an equal voting right that allows the shareholder to participate in resolutions at the Annual General Meeting. In addition, ordinary shares of METRO AG entitle the holder to dividends. In contrast to ordinary shares, preference shares do not carry any voting rights and are 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 preference shares will receive from the annual net earnings a preferred dividend of €0.17 per preference share.
- (2) Should the net earnings available for distribution not suffice in any one financial year to pay the preferred dividend, the arrears (excluding any interest) shall be paid from the net earnings of future financial 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 financial year are not distributed until all of any accumulated arrears have been paid.
- (3) After the preferred dividend has been distributed, the holders of ordinary shares will receive a dividend of €0.17 per ordinary share. Thereafter, a non-cumulative extra dividend of €0.06 per share will be paid to the holders of non-voting preference shares. 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 ordinary shares inasmuch as such dividend equals or exceeds €1.02 per ordinary share.
- (4) The holders of non-voting preference shares and of ordinary shares will share equally in any additional profit distribution at the ratio of their shares in the capital stock.”

Contingent capital I and II

On 4 June 2004, a contingent increase in capital stock of €127,825,000 was resolved (contingent capital I). This contingent capital increase is related to the authorisation given to the Management Board to issue by 3 June 2009, with the prior approval 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 ordinary shares 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 ordinary shares in the company rather than in cash. To date, no option bonds and/or convertible bonds have been issued under the aforementioned authorisation of the Management Board.

On 6 July 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 ordinary shares to be used for METRO AG's stock option plan (contingent capital II).

Under METRO AG's stock option plan, stock options were granted on 3 September 1999, 19 August 2000, 23 July 2001, 19 July 2002, and 23 June 2003. None of these options was outstanding as of 31 December 2007. In line with the exercise terms, it was determined that eligible participants would be granted cash compensation in lieu of new ordinary shares 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.

Authorised capital I

On 23 May 2007, the Annual General Meeting resolved to authorise the Management Board to increase the capital stock, with the prior approval of the Supervisory Board, by issuing new ordinary bearer shares in exchange for cash contributions in one or several tranches for a total maximum of €40,000,000 (authorised capital I) by 23 May 2012.

A subscription right is to be granted to existing shareholders. However, the Management Board has been authorised 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 ordinary 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 authorised to restrict the shareholders' subscription rights, with the prior approval of the Supervisory Board, for one or several capital increases under the authorised 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 authorised capital is first utilised, and further provided that the issue price of the new ordinary shares is not substantially below the market price of listed ordinary shares in the company of the same category at the time the

initial offering price of the new issue is finally fixed. The Management Board is authorised to determine all further details of the capital increases with the prior approval of the Supervisory Board. To date, authorised capital I has not been used.

Authorised capital II

On 23 May 2007, the Annual General Meeting resolved to authorise the Management Board, with the prior approval of the Supervisory Board, to increase the company's capital stock by issuing new ordinary bearer shares in exchange for non-cash contributions in one or several tranches for a maximum total of €60,000,000 by 23 May 2012 (authorised capital II). The Management Board is authorised, 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, authorised capital II has not been used.

Authorised capital III

On 4 June 2004, the Annual General Meeting authorised the Management Board, with the prior approval of the Supervisory Board, to increase the company's capital stock by issuing new ordinary bearer shares in exchange for cash contributions in one or several tranches for a maximum total of €100,000,000 by 3 June 2009 (authorised capital III). Existing shareholders shall be granted a subscription right.

However, the Management Board has been authorised 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 authorised to restrict the shareholders' subscription rights, with the prior approval of the Supervisory Board, for one or several capital increases under the authorised 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 authorised capital is first utilised, 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 authorised capital III under exclusion of the subscription right of the shareholders 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 authorised capital III under the exclusion of the subscription right in the corresponding application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act. To date, authorised capital III has not been used.

Authorised capital IV

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

Stock buyback

Pursuant to § 71 Section 1 Subsection 8 of the German Stock Corporation Act, the Annual General Meeting held on 23 May 2007, authorised the company to acquire treasury stock up to the equivalent of 10 percent of the capital stock on or before 23 November 2008.

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 of any company controlled or majority-owned by METRO AG has exercised this authorisation.

Additional paid-in capital

Additional paid-in capital amounts to €2,544 million (previous year: €2,544 million).

Reserves retained from earnings

€ million	31 Dec 2007	31 Dec 2006
Valuation reserve pursuant to IAS 39 (incl. deferred taxes)	59	50
Reserve for currency translation	86	132
Other reserves	2,731	2,272
	2,876	2,454

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 financial year under review, a total of €9 million (previous year: €-3 million) was reported in equity in relation to derivative financial instruments within cash flow hedges without deferred taxes. This change includes the write-off of €6 million (previous year: €-8 million) as well as the initial and subsequent measurement of €3 million (previous year: €5 million). Of the total, €7 million (previous year: €-6 million) is allotted to inventories and €-1 million (previous year: €-2 million) to the financial result. As in the previous year, in the category of assets classified as "available for sale", no income or expenses were recognised in income. The share of fair value changes in hedges for share-based remuneration recognised without an effect on income resulted in an increase in equity by €4 million (previous year: €6 million). These valuation effects create an overall offset against an opposite tax effect of €-4 million (previous year: €-1 million).

In addition, a reduction in equity due to currency translation differences of €46 million (previous year: €6 million) is primarily attributable to the United Kingdom, Ukraine, Romania and Pakistan, while increases in equity due to currency translation differences stem mostly from Poland and Turkey.

Under consideration of the dividend payout for 2006 (€-366 million), the remaining increase in revenue reserves to €2,731 million resulted mainly from the transfer of the period income due to shareholders of METRO AG for 2007 (€825 million).

Minority interests

Minority interests are the shares held by third parties in the capital stock of the consolidated subsidiaries. At year's end, minority interests amounted to €254 million (previous year: €217 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 23 May 2007, a dividend of €1.120 per ordinary share and €1.232 per preference share, for a total of €366.3 million, was paid in the financial year 2007 from the reported net income of €435.4 million for 2006. The remaining amount of €69.1 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 €395.1 million for 2007 a dividend of €1.180 per ordinary share and €1.298 per preference share, for a total of €385.9 million, and to carry the remaining amount of €9.2 million forward to the new account. The net income of €395.1 million for 2007 includes profit carried forward of €69.1 million.

33. Provisions for pensions and similar commitments

€ million	31 Dec 2007	31 Dec 2006
Pension provisions (employer's commitments)	584	589
Provisions for indirect commitments	205	223
Provisions for severance benefits	89	102
Provisions for company pension upgrades	5	5
Provisions for company pension plans	883	919
Other provisions for commitments similar to pensions	90	104
Total	973	1,023

Pension commitments consist, for the most part, 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. In Germany, new employees have principally not been eligible for company pension benefits since 31 December 1997.

The most important pension plans are described in the following.

Germany

The essential plans generally foresee monthly pension benefits. The amounts are either fixed or depend on the length of service. In individual cases, state pension insurance entitlements are to be charged against these entitlements. Entitlements to widow's and widower's pensions also apply.

United Kingdom

There is a performance-oriented benefit plan with commitments to retirement benefits, early retirement benefits, disability benefits and surviving dependents' benefits. The amount of the benefits depends on the length of service and the final income subject to pension.

Italy

In Italy, employees receive payments upon termination of their employment relationship, irrespective of the reason for termination. A pension reform law that took effect on 1 January 2007 is designed to promote company and individual retirement provisions. Companies with more than 50 employees are required to transfer employee entitlements incurred in the future to the newly established state fund.

Belgium

There are both retirement pensions as well as capital commitments whose size depends on the length of service and income. In addition, benefits are paid to employees aged 58 and older who become unemployed.

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 5.60 percent (previous year: 4.65 percent), average wage and salary increases of 2.00 percent in Germany (previous year: 2.00 percent) and 2.50 percent abroad (previous year: 2.50 percent) as well as average pension increases of 1.68 percent (previous year: 1.25 percent). The anticipated average return from plan assets amounts to 5.11 percent (previous year: 6.50 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 6.90 percent (previous year: 7.63 percent). The actuarial calculations are based on country-specific mortality tables. Calculations for the German group companies are based on the 2005 G tables from Klaus Heubeck.

Breakdown of plan assets by asset category:

	31 Dec 2007	31 Dec 2006
Fixed-interest securities	32%	36%
Shares, funds	20%	43%
Real estate	12%	11%
Money market investments and cash	30%	5%
Other assets	6%	5%
	100%	100%

The expected average rate of interest is 4.5 percent for fixed-interest securities (previous year: 4.9 percent), 7.9 percent for shares and funds (previous year: 8.5 percent), 6.2 percent for real estate (previous year: 5.1 percent) and 4.2 percent for money market investments and cash. The respective rate of interest takes into account country-specific factors and is based on factors such as the expected long-term interest rates and dividend payouts as well as the expected capital growth of the investment portfolio.

The reduction of shares and funds and the increase in money market investments are the result of the divestment of the share portfolios at the Kaufhof benevolent fund.

The actual income from plan assets was €44 million in 2007 (previous year: €61 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	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004	31 Dec 2003
Net present value	1,861	2,034	2,199	1,928	1,640
Plan assets	(936)	(907)	(844)	(744)	(589)
Financing status	925	1,127	1,355	1,184	1,051

In the financial year 2008, payments to external pension providers are expected to amount to €54 million.

Changes in the net present value of defined benefit obligations (DBO) and plan assets of external pension providers are shown in the table below:

€ million	2007	2006
Net present value (DBO)		
Balance on 1 Jan	2,034	2,199
Change in consolidation group	–	40
Interest expenses	91	88
Service cost	43	48
Transfer of assets	4	4
Past service cost	2	1
Curtailment/compensation	(6)	(10)
Plan costs	(1)	–
Pension payments	(131)	(126)
Actuarial gains (–)/losses (+)	(162)	(212)
Currency translation	(13)	2
Balance on 31 Dec	1.861	2.034
€ million	2007	2006
Changes in plan assets		
Balance on 1 Jan	907	844
Change in consolidation group	–	27
Expected income on plan assets	54	51
Plan costs	(1)	–
Transfers	3	(2)
Pension payments	(69)	(75)
Employer contributions	57	44
Contributions from plan participants	7	7
Actuarial gains (–)/losses (+)	(10)	10
Currency translation	(12)	1
Balance on 31 Dec	936	907
€ million	2007	2006
Financing status		
Net present value (DBO), not fund-financed	690	768
Net present value (DBO), wholly or partly fund-financed	1,171	1,266
Subtotal	1,861	2,034
Market value of plan assets	(936)	(907)
Balance on 31 Dec	925	1,127
Actuarial gains (–)/losses (+) not yet considered	(91)	(249)
Past service costs	(10)	(9)
Amount not shown as asset due to definition of IAS 19.58 (b)	1	–
Net liabilities on 31 Dec	825	869

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 €883 million (previous year: €919 million) are netted against assets for indirect pension plans in the United Kingdom and the Netherlands of €53 million (previous year: €45 million). That leaves a net liability of €830 million (previous year: €874 million).

The decline in actuarial losses essentially results from the adjustment of the assumed interest rate from 4.65 percent to 5.60 percent.

Plan assets include real estate utilised by METRO Group 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	2007	2006
Interest expense on net present value (DB0)	91	88
Expected return on plan assets	(54)	(51)
Recognised actuarial gains (-)/losses (+)	7	34
= Effective interest rate expenses	44	71
Service cost ¹	36	42
Curtailment	(6)	(7)
Asset limitation	1	1
Past service cost	1	1
	76	108

¹Netted against employees' contributions

Service costs were considered in sales expenses in the amount of €3 million (previous year: €0 million), in selling expenses in the amount of €17 million (previous year: €29 million) and in administrative expenses in the amount of €12 million (previous year: €8 million). In addition, expenses of €1 million (previous year: €3 million) were incurred in connection with locally measured commitments.

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.

34. 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	Restructuring	Taxes	Other	Total
Balance on 1 Jan 2007	329	151	271	179	295	1,225
Adjustment pursuant to IFRS 3	0	–	1	–	–	1
Adjusted balance on 1 Jan 2007	329	151	272	179	295	1,226
Currency translation	0	0	0	0	(2)	(2)
Addition	78	123	64	80	253	598
Release	(50)	(19)	(85)	(41)	(58)	(253)
Utilisation	(81)	(96)	(109)	(34)	(149)	(469)
Change in consolidation group	–	–	–	–	0	0
Interest portion in addition/ change in interest rate	5	1	1	–	0	7
Transfers	2	1	(4)	0	(6)	(7)
Balance on 31 Dec 2007	283	161	139	184	333	1,100
Non-current	189	35	27	141	132	524
Current	94	126	112	43	201	576
Balance on 31 Dec 2007	283	161	139	184	333	1,100

Provisions for real estate-related obligations essentially concern uncovered rental commitments in the amount of €67 million (previous year: €82 million), location risks in the amount of €100 million (previous year: €108 million), rental commitments in the amount of €29 million (previous year: €28 million) as well as reinstatement obligations of €28 million (previous year: €30 million). Other real estate obligations of €55 million (previous year: €77 million) stem essentially from maintenance obligations.

Significant components of the obligations from merchandise trading are provisions for rebates from the Payback programme in the amount of €82 million (previous year: €77 million) as well as provisions for guarantee services in the amount of €48 million (previous year: €40 million).

As in the previous year, restructuring provisions include essentially measures related to the repositioning of Real. Their decline is essentially attributable to the completion of the integration of the Wal-Mart Germany group as well as other repositioning measures that were implemented during the reporting period.

Tax provisions comprise tax risks from previous years, among others.

The other provisions item contains mainly litigation costs/risks amounting to €77 million (previous year: €69 million), gratuity commitments of €11 million (previous year: €18 million), surety and guarantee risks of €6 million (previous year: €6 million) as well as provisions for share-based remuneration of €90 million (previous year: €56 million), which are explained in detail under no. 51.

Obligations from litigation costs/risks primarily include provisions for civil lawsuits, in particular proceedings against suppliers and customers.

Provisions that are shown in the item “liabilities related to non-current assets held for sale” in connection with the reclassification of the Extra business amount to €10 million. The reclassification is shown as a transfer.

35. Liabilities

€ million	31 Dec 2007 total	Remaining term			31 Dec 2006 total
		up to 1 year	1 to 5 years	over 5 years	
Trade payables	14,088	14,088	–	–	12,416
Bonds	3,315	1,120	2,195	–	3,106
Due to banks	1,647	792	370	485	1,759
Promissory note loans	204	4	50	150	498
Bills of exchange	572	572	–	–	513
Liabilities from finance leases	2,000	220	774	1,006	2,151
Financial liabilities	7,738	2,708	3,389	1,641	8,027
Other tax liabilities	628	628	–	–	515
Prepayments received on orders	31	31	–	–	30
Payroll	907	878	29	–	767
Liabilities from other financial transactions	71	71	–	–	48
Deferred income	296	65	135	96	285
Miscellaneous liabilities	981	594	376	11	1,011
Other liabilities	2,914	2,267	540	107	2,656
Income tax liabilities	337	337	–	–	304
	25,077	19,400	3,929	1,748	23,403

36. Trade payables

The increase in trade payables is essentially attributable to the – primarily international – expansion of the Metro Cash & Carry, Real, and Media Markt and Saturn sales divisions.

37. Financial liabilities

The “Debt Issuance Programme” begun in 2000 provides **long-term financing**. The following transactions were carried out under this programme in 2007:

Type of transaction	Date of issue	Maturity	Maturity date	Nominal volume	Coupon
New issue	May 2007	5 years	May 2012	€500 million	4.75%
Redemption	May 2001	6 years	May 2007	€100 million	5.90%
Redemption	October 1997	10 years	October 2007	€128 million	5.00%
Redemption	November 1997	10 years	November 2007	€72 million	5.75%

In addition, fixed-interest promissory note loans in the amount of €332 million with an original maturity of 9 and 10 years, respectively, were redeemed during the reporting year.

For **short- and medium-term financing**, METRO Group uses ongoing capital market issuance programmes such as the “Euro Commercial Paper Program” launched in 1999 with an authorised volume of up to €3 billion. Another commercial paper programme 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 utilised by the two programmes was €1.7 billion in 2007 (previous year: €1.7 billion).

In addition, METRO Group has access to syndicated lines of credit totalling €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 2007 was €125 million (previous year: €217 million), the average amount drawn as of the closing date was €0 million (previous year: €200 million).

The contract terms for the syndicated lines of credit provide for a decrease of 2.5 bps in the spread if 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 totalling €2,501 million (previous year: €2,888 million) were available to METRO Group as of 31 December 2007. Of this amount, €1,475 million (previous year: €1,176 million) had a remaining term of up to one year. On the closing date, €1,647 million (previous year: €1,559 million) of the bilateral lines of credit had been utilised. Of this amount, €792 million has a remaining term of up to one year (previous year: €301 million).

In addition, bills of exchange in the amount of €572 million (previous year: €513 million) were used for short-term financing.

The defaulting of a lender can be covered at any time by the existing unutilised credit facilities or the available money and capital market programmes. METRO Group therefore does not bear a significant credit default risk.

METRO Group principally does not provide collateral for financial liabilities. One exception concerns the first-time consolidation of Asset Immobilienbeteiligungen GmbH & Co. KG and its subsidiaries in 2003. Collateral in the amount of €630 million (previous year: €698 million) was provided for the real estate portfolio of these companies as of 31 December 2007.

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 31 Dec 2007 in € million	Book values 31 Dec 2007 in € million	Fair values 31 Dec 2007 in € million
Bonds	EUR	1,000	up to 1 year	1,000	1,089	1,089
		2,200	1 to 5 years	2,200	2,195	2,212
		–	over 5 years	–	–	–
	CZK	9	up to 1 year	0	0	0
		–	1 to 5 years	–	–	–
		–	over 5 years	–	–	–
	JPY	5,000	up to 1 year	30	31	31
		–	1 to 5 years	–	–	–
		–	over 5 years	–	–	–
Liabilities to banks (excl. open account)	EUR	373	up to 1 year	373	374	394
		253	1 to 5 years	253	255	259
		474	over 5 years	474	474	474
	CNY	1,163	up to 1 year	108	108	108
		480	1 to 5 years	45	45	47
		–	over 5 years	–	–	–
	JPY	462	up to 1 year	3	3	3
		6,932	1 to 5 years	42	42	44
		–	over 5 years	–	–	–
	Other	–	up to 1 year	62	63	63
		–	1 to 5 years	28	28	28
		–	over 5 years	11	11	11
Promissory note loans	EUR	–	up to 1 year	–	4	4
		50	1 to 5 years	50	50	51
		150	over 5 years	150	150	148

Redeemable loans that are shown under liabilities to banks are listed with the remaining terms corresponding to their redemption dates. For remaining terms of over one year, the indicated fair value of these loans generally contains the book value. The difference between the book value and the fair value of the entire loan is shown in maturities 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	EUR	up to 1 year	5.13	1,000
			1 to 5 years	4.68	1,250
			over 5 years	-	-
		CZK	up to 1 year	10.50	0
			1 to 5 years	-	-
			over 5 years	-	-
		JPY	up to 1 year	1.32	30
			1 to 5 years	-	-
			over 5 years	-	-
	Variable interest	EUR	up to 1 year	-	-
			1 to 5 years	4.13	950
			over 5 years	-	-
Liabilities to banks (excl. open account)	Fixed interest	EUR	up to 1 year	4.48	278
			1 to 5 years	5.51	246
			over 5 years	5.36	471
		CNY	up to 1 year	5.95	108
			1 to 5 years	6.44	45
			over 5 years	-	-
		Other	up to 1 year	7.42	51
			1 to 5 years	-	-
			over 5 years	-	-
	Variable interest	EUR	up to 1 year	4.82	95
			1 to 5 years	4.39	7
			over 5 years	4.39	3
		JPY	up to 1 year	2.44	3
			1 to 5 years	5.07	42
			over 5 years	-	-
		Other	up to 1 year	4.77	11
			1 to 5 years	7.89	28
			over 5 years	5.87	11
Promissory note loans	Fixed interest	EUR	up to 1 year	-	-
			1 to 5 years	-	-
			over 5 years	3.79	100
	Variable interest	EUR	up to 1 year	-	-
			1 to 5 years	4.50	50
			over 5 years	4.70	50

The fixed interest rate for 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.

The effects that changes in interest rates concerning the variable portion of financial liabilities have on the net profit for the period and equity of METRO AG are described in detail in the chapter "Management of financial risks" (see no. 44).

38. Other liabilities

€ million	31 Dec 2007			31 Dec 2006		
	Total	Remaining term		Total	Remaining term	
		up to 1 year	over 1 year		up to 1 year	over 1 year
Other tax liabilities	628	628	–	515	515	–
Payroll	907	878	29	767	749	18
Deferred income	296	65	231	285	64	221
Miscellaneous liabilities	1,083	696	387	1,089	703	386
	2,914	2,267	647	2,656	2,031	625

Other liabilities of the previous year increased by €28 million in connection with the preliminary accounting for business combinations in 2006.

The increase in other tax liabilities is essentially attributable to higher sales tax liabilities in Germany.

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 put options.

Amounts shown for financial instruments under miscellaneous liabilities are essentially their market values.

39. Undiscounted cash flows of financial liabilities

The undiscounted cash flows of financial liabilities, trade liabilities and derivatives carried as liabilities are as follows:

€ million	Book value 31 Dec 2007	Cash flows in 2008		Cash flows in 2009–2012		Cash flows after 2012	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Financial liabilities							
Bonds	3,315	133	1,120	251	2,195	–	–
Liabilities to banks	1,647	53	792	127	370	33	485
Promissory note loans	204	9	4	33	50	5	150
Bills of exchange	572	–	572	–	–	–	–
Liabilities from finance leases	2,000	120	233	354	948	400	1,819
Trade payables	14,088	–	14,088	–	–	–	–
Fixed interest derivatives carried as liabilities	–	–	–	–	–	–	–
Currency derivatives carried as liabilities	65	–	50	–	15	–	–

€ million	Book value 31 Dec 2006	Cash flows in 2007		Cash flows in 2008–2011		Cash flows after 2011	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Financial liabilities							
Bonds	3,106	143	383	283	2,723	–	–
Liabilities to banks	1,759	79	501	157	653	53	605
Promissory note loans	498	37	144	25	204	11	150
Bills of exchange	513	–	513	–	–	–	–
Liabilities from finance leases	2,151	129	219	399	877	543	2,221
Trade payables	12,416	–	12,416	–	–	–	–
Fixed interest derivatives carried as liabilities	–	–	–	–	–	–	–
Currency derivatives carried as liabilities	40	–	10	–	30	–	–

40. Book values and fair values according to measurement categories

The book values and fair values of financial instruments shown in the balance sheet are as follows:

€ million	31 Dec 2007				
	Book value	Balance sheet valuation			Fair value
		(Amortised) cost	Fair value affecting income	Fair value not affecting income	
ASSETS					
Loans and receivables	3,084	3,084	–	–	3,090
Loans and advance credit granted	154	154	–	–	153
Receivables due from suppliers	1,759	1,759	–	–	1,759
Trade receivables	508	508	–	–	508
Other financial assets	663	663	–	–	670
Held until maturity	0	0	–	–	0
Securities	0	0	–	–	0
Other financial assets	–	–	–	–	–
Held for trading	7	–	7	–	7
Derivative financial instruments not part of a hedge under IAS 39	4	–	4	–	4
Securities	3	–	3	–	3
Other financial assets	–	–	–	–	–
Available for sale	35	–	–	35	35
Investments	22	–	–	22	22
Securities	13	–	–	13	13
Other financial assets	–	–	–	–	–
Derivative financial instruments within hedges under IAS 39	140	–	16	124	140
Cash and cash equivalents	3,433	3,433	–	–	3,433
Assets not classified under IFRS 7	27,173	n/a	n/a	n/a	n/a
LIABILITIES					
Held for trading	39	–	39	–	39
Derivative financial instruments not part of a hedge under IAS 39	32	–	32	–	32
Other financial liabilities	7	–	7	–	7
Miscellaneous financial liabilities	21,644	20,726	918	–	21,685
Financial liabilities excluding finance leases (including underlying hedging transactions under IAS 39)	5,738	4,820	918	–	5,782
Trade payables	14,088	14,088	–	–	14,088
Other financial liabilities	1,818	1,818	–	–	1,815
Derivative financial instruments within hedges under IAS 39	33	–	18	15	33
Liabilities not classified under IFRS 7	12,156	n/a	n/a	n/a	n/a
Unrealised profit (+)/loss (–) from total difference between fair value and book value					(35)

31 Dec 2006

€ million	Balance sheet valuation				
	Book value	(Amortised) cost	Fair value affecting income	Fair value not affecting income	Fair value
ASSETS					
Loans and receivables	2,991	2,991	0	0	2,997
Loans and advance credit granted	172	172	–	–	176
Receivables due from suppliers	1,583	1,583	–	–	1,583
Trade receivables	481	481	–	–	481
Other financial assets	755	755	–	–	757
Held until maturity	0	0	–	–	0
Securities	0	0	–	–	0
Other financial assets	–	–	–	–	–
Held for trading	20	–	20	–	20
Derivative financial instruments not part of a hedge under IAS 39	17	–	17	–	17
Securities	3	–	3	–	3
Other financial assets	–	–	–	–	–
Available for sale	30	–	–	30	30
Investments	23	–	–	23	23
Securities	7	–	–	7	7
Other financial assets	–	–	–	–	–
Derivative financial instruments within hedges under IAS 39	123	–	19	104	123
Cash and cash equivalents	2,732	2,732	–	–	2,732
Assets not classified under IFRS 7	26,294	n/a	n/a	n/a	n/a
LIABILITIES					
Held for trading	17	–	17	–	17
Derivative financial instruments not part of a hedge under IAS 39	17	–	17	–	17
Other financial liabilities	–	–	–	–	–
Miscellaneous financial liabilities	20,101	19,082	1,019	–	20,183
Financial liabilities excluding finance leases (including underlying hedging transactions under IAS 39)	5,876	4,857	1,019	–	5,958
Trade payables	12,416	12,416	–	–	12,416
Other financial liabilities	1,809	1,809	–	–	1,809
Derivative financial instruments within hedges under IAS 39	23	–	16	7	23
Liabilities not classified under IFRS 7	12,049	n/a	n/a	n/a	n/a
Unrealised profit (+)/loss (–) from total difference between fair value and book value					(76)

Due to their mostly short terms, the fair values of receivables due from suppliers, trade payables and liabilities as well as cash and cash equivalents essentially correspond to their book values.

The fair values of all other financial assets and liabilities that are not listed on an exchange correspond to the present value of payments underlying these balance sheet items. The calculation was based on the applicable country-specific interest rate curves as of the closing date. Options are measured by applying the Black & Scholes model.

OTHER NOTES

41. Notes to the consolidated cash flow statement

In accordance with IAS 7 (Cash Flow Statements), 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 planned divestment of the Extra supermarkets (see no. 31), the cash flows of these discontinued operations will be listed separately.

The item cash and cash equivalents includes checks and cash on hand as well as bank deposits with a remaining term of up to three months.

During the reporting year, net cash provided by operating activities of continuing operations amounted to €3,200 million (previous year: €3,277 million).

In the financial year 2007, the Group recorded cash outflows of €1,231 million (previous year: cash outflows of €1,283 million) from investing activities of continuing operations. The acquisition of the Wal-Mart Germany group resulted in cash inflows of €186 million (previous year: €108 million) during the reporting year.

The amount of investments in tangible assets stated as cash outflows differs from the addition reported in the analysis of fixed assets by the amount of non-cash additions, which essentially concern additions from finance leases.

Cash flow from financing activities of continuing operations shows €231 million higher cash outflows during the reporting year compared to the previous year.

42. Segment reporting

Segment reporting has been carried out in accordance 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 each 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 is 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.
- Discontinued operations include the values of the operational Extra supermarkets (included in the Real segment in the previous year).
- The previous year's values were adjusted due to the preliminary accounting for business combinations in 2006.

43. Discontinued operations

The remaining 40.52 percent shareholding in Praktiker Bau- und Heimwerkermärkte Holding AG with a book value of €341 million was sold on 11 April 2006. The proceeds for METRO AG amounted to about €484 million. In the previous year, the divestment proceeds of around €143 million generated by this sale were shown as divestment income from discontinued operations after taxes.

In December 2007, METRO AG decided to give up the supermarket sales format and to initiate the divestment of the Extra supermarkets. Against the background of this decision, all assets and liabilities of the operational Extra supermarkets were stated separately in the consolidated balance sheet as assets held for sale or liabilities related to assets held for sale in accordance with IFRS 5. The results of the Extra supermarkets are accordingly stated separately in the consolidated income statement as current income from discontinued operations.

The results of discontinued activities comprise the following components:

€ million	2007	2006
Income	1,611	1,667
Expenses	(1,639)	(1,693)
Current income from discontinued operations before taxes	(28)	(26)
Income tax	–	–
Current income from discontinued operations after taxes	(28)	(26)
Income from the divestment of remaining stakes in Praktiker	–	143
Divestment income from discontinued operations before taxes	–	143
Income tax	–	–
Divestment income from discontinued operations after taxes	–	143
Profit/loss from discontinued operations	(28)	117

The following assets and liabilities were attributed to discontinued operations at the time of the separate listing pursuant to IFRS 5:

€ million	31 Dec 2007
Non-current assets	180
Goodwill	109
Other intangible assets	0
Tangible assets	56
Financial assets	10
Other receivables and assets	5
Current assets	142
Inventories	119
Trade receivables	11
Other receivables and assets	2
Cash and cash equivalents	10
Non-current liabilities	(8)
Provisions for pensions and similar commitments	(2)
Other provisions	0
Financial liabilities	(6)
Other liabilities	0
Current liabilities	(22)
Provisions	(10)
Financial liabilities	(2)
Other liabilities	(10)
Balance of assets and liabilities held for sale	292

By contractual agreement, Real SB-Warenhaus GmbH sold its Extra supermarkets to the Rewe Group as of 17 January 2008. The contract is subject to the approval of the merger control authorities.

44. Management of financial risks

The finance department of METRO AG manages the financial risks of METRO Group. These include, in particular,

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

Price risks

For METRO Group, price risks result from the impact of changes in market interest rates, foreign currency exchange rates or share price fluctuations on the fair value of a financial instrument.

Interest rate risks are caused by deteriorating cash flows from interest and potential changes in the fair value of a financial instrument due to changes in market interest rates. Interest rate swaps and interest limitation agreements are used to cap these interest rate risks.

METRO Group's remaining interest rate risk is assessed in accordance with IFRS 7 using a sensitivity analysis. In the process, the following assumptions are applied in the consideration of changes in interest rates:

The total impact determined by the sensitivity analysis relates to the actual balance as of the closing date and reflects the impact for one year.

Original floating-rate financial instruments whose interest payments are not designated as the underlying transaction in a cash flow hedge against changes in interest rates are recognised in interest income in the sensitivity analysis.

Original fixed-interest financial instruments generally are not recognised in interest income. They are only recognised in other financial results if they are designated as the underlying transaction within a fair value hedge and measured at their fair value. In this case, however, the interest-related change in the value of the underlying transaction is offset by the change in the value of the hedging transaction upon full effectiveness of the hedging transaction. The variable interest flows within the Group that result from a fair value hedge are recognised in interest income.

Financial instruments designated as the hedging transaction within a cash flow hedge to hedge against variable interest flows will only be recognised in interest income when the payment flows have actually been initiated. However, the measurement of the hedging transaction at its fair value is recognised in reserves retained from earnings with no effect on income.

Interest rate derivatives that are not part of a qualified hedging transaction under IAS 39 are recognised at their fair value in other financial results and, through resulting interest flows, in interest income.

As of the closing date, the remaining interest rate risk of METRO Group results essentially from variable interest receivables and liabilities to banks with a total investment balance after consideration of hedging transactions in the amount of €1,726 million (previous year: €1,214 million).

Given this total balance, a higher interest rate of 100 basis points would result in €17 million higher earnings in interest income per year (previous year: €12 million). Due to interest limitation agreements, a lower interest rate of 100 basis points would only result in a corresponding effect of €-10 million (previous year: €-5 million).

In the event of a higher interest rate of 100 basis points, the measurement of financial instruments that are part of a cash flow hedge results in an increase in equity in the amount of €29 million (previous year: €34 million) as well as an increase in the other financial result of €3 million (previous year: €3 million). A correspondingly lower interest rate has the corresponding opposite effect.

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. Exceptions from this hedging requirement exist only in the case of liabilities from finance leases as well as foreign currency transactions that cannot be hedged for legal or market-specific reasons.

In line with IFRS 7, the presentation of the currency risk resulting from the exceptions is also based on a sensitivity analysis. In the process, the following assumptions are made in the consideration of a devaluation or revaluation of the euro vis-à-vis other currencies:

In terms of its amount and result characteristic, the total effect presented by the sensitivity analysis relates to the amounts of foreign currency held within the consolidated subsidiaries of METRO Group and states the effect of a devaluation or revaluation of the euro.

In the sensitivity analysis, the effects of the measurement of non-equity foreign currency positions that are calculated based on the closing date price in line with IAS 21 are recognised in income in the income statement. In the case of net investments in foreign currency, the effects of the closing date measurement are recognised in equity with no effect on income.

Foreign currency futures/options and interest and currency swaps that are not part of a qualified hedge under IAS 39 are recognised in income through the fair value measurement in the income statement. In fully effective hedging transactions, this effect is offset by the effect from the measurement of the underlying foreign currency transaction.

Foreign currency futures/options and interest and currency swaps that are designated as the hedging transaction within a cash flow hedge to hedge against payment flows in foreign currency will only be recognised in the income statement when the payment flows are actually initiated. The measurement

of the hedging transaction at its fair value, however, is recognised in reserves retained from earnings with no effect on income.

Effects from the currency translation of financial statements whose functional currency is not the reporting currency of METRO Group do not affect cash flows in local currency and are therefore not part of the sensitivity analysis.

As of the closing date, the remaining currency risk of METRO Group was as follows:

€ million	Currency pair	31 Dec 2007 Impact of appreciation/ devaluation of the euro by 10%	31 Dec 2006 Impact of appreciation/ devaluation of the euro by 10%
Net profit for the period			
	CHF/EUR	-/+1	+/-2
	CZK/EUR	+/-0	-/+1
	MDL/EUR	+/-5	+/-4
	PLN/EUR	+/-8	+/-26
	RON/EUR	+/-9	+/-7
	RUB/EUR	+/-39	+/-26
	TRY/EUR	+/-1	-/+0
	VND/EUR	+/-2	+/-2
	USD/EUR	+/-2	+/-1
		+/-65	+/-67
Equity			
	GBP/EUR	-/+2	-/+2
	PLN/EUR	-	+/-8
	UAH/EUR	+/-9	+/-9
	USD/EUR	+/-31	+/-24
		+/-38	+/-39
Total		+/-103	+/-106

Share price risks result from share-based compensation of METRO Group executives. The remuneration (monetary bonus) is essentially based on the price development of the Metro ordinary shares. Share options on METRO AG ordinary shares are used to cap this risk.

Interest and currency risks are substantially reduced and limited by the principles laid down in the internal treasury guidelines of 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. METRO Group is aware that this severely limits the opportunities to exploit current or expected interest rate and exchange rate movements to optimise results.

Hedging may be carried out only with standard financial derivatives whose correct actuarial and accounting mapping and valuation in the treasury system are guaranteed.

As of the closing date, the following financial instruments were being used for risk reduction:

€ million	Nominal volume	31 Dec 2007 Fair values		Nominal volume	31 Dec 2006 Fair values	
		Financial assets	Financial liabilities		Financial assets	Financial liabilities
Interest rate transactions						
Interest rate swaps	1,350	31	–	1,461	25	–
within fair value hedges	[850]	[16]	[–]	[950]	[19]	[–]
within cash flow hedges	[500]	[15]	[–]	[500]	[6]	[–]
not part of a hedge	[–]	[–]	[–]	[11]	[0]	[–]
Interest limitation agreements	750	11	–	750	7	–
within fair value hedges	[–]	[–]	[–]	[–]	[–]	[–]
within cash flow hedges	[750]	[11]	[–]	[750]	[7]	[–]
not part of a hedge	[–]	[–]	[–]	[–]	[–]	[–]
	2,100	42	–	2,211	32	–
Currency transactions						
Forex futures/options	830	5	23	874	6	10
within fair value hedges	[–]	[–]	[–]	[–]	[–]	[–]
within cash flow hedges	[256]	[1]	[15]	[190]	[0]	[7]
not part of a hedge	[574]	[4]	[8]	[684]	[6]	[3]
Interest rate/currency swaps	334	0	42	161	0	30
within fair value hedges	[30]	[–]	[18]	[32]	[0]	[16]
within cash flow hedges	[8]	[0]	[–]	[6]	[0]	[0]
not part of a hedge	[296]	[0]	[24]	[123]	[–]	[14]
Others	0	0	–	–	–	–
within fair value hedges	[–]	[–]	[–]	[–]	[–]	[–]
within cash flow hedges	[–]	[–]	[–]	[–]	[–]	[–]
not part of a hedge	[0]	[0]	[–]	[–]	[–]	[–]
	1,164	5	65	1,035	6	40
Share price related transactions						
Hedging of share bonus programmes	5	97	–	10	102	–
within fair value hedges	[–]	[–]	[–]	[–]	[–]	[–]
within cash flow hedges	[5]	[97]	[–]	[9]	[91]	[–]
not part of a hedge	[–]	[–]	[–]	[1]	[11]	[–]
	5	97	–	10	102	–
Total	n/a	144	65	n/a	140	40

The nominal volume of forex futures/options interest limitation agreements results from the net position of the buying and selling values underlying the individual transactions. The gross nominal volume of interest rate swaps or interest/currency swaps and interest rate hedging agreements is shown. The stated amount for hedges related to share bonus programmes includes the number of share options with a subscription ratio of 1:1.

All fair values represent the theoretical value of these instruments upon dissolution of the transactions at the end of the period. Under the premise that instruments are held until the end of their term, these are unrealised 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 recognised as follows:

Within a fair value hedge, both the hedging transaction and the hedged risk of the underlying transaction are recognised 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 recognised at their fair value (market value). In the case of full effectiveness of the hedging transaction, the value changes will be recognised in equity until the hedged payment flows or expected transactions impact the result. Only then will they be recognised in income.

Hedging transactions that, according to IAS 39, are not part of a hedge, are recognised at their fair value (market value). Value changes are recognised 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 currency derivatives are used primarily for pound sterling, Danish krone, Slovak koruna, Czech koruna, Polish zloty, Japanese yen, Swiss franc, Hungarian forint, Russian rouble and Turkish lira.

The derivative financial instruments have the following maturities:

€ million	Fair values		
	up to 1 year	Maturities 1 to 5 years	over 5 years
Interest rate transactions			
Interest rate swaps	16	–	15
within fair value hedges	[16]	[–]	[–]
within cash flow hedges	[–]	[–]	[15]
not part of a hedge	[–]	[–]	[–]
Interest limitation agreements	–	11	–
within fair value hedges	[–]	[–]	[–]
within cash flow hedges	[–]	[11]	[–]
not part of a hedge	[–]	[–]	[–]
Currency transactions			
Forex futures/options	(18)	–	–
within fair value hedges	[–]	[–]	[–]
within cash flow hedges	[(14)]	[–]	[–]
not part of a hedge	[(4)]	[–]	[–]
Interest rate/currency swaps	(27)	(15)	–
within fair value hedges	[(18)]	[–]	[–]
within cash flow hedges	[0]	[–]	[–]
not part of a hedge	[(9)]	[(15)]	[–]
Others	–	–	0
within fair value hedges	[–]	[–]	[–]
within cash flow hedges	[–]	[–]	[–]
not part of a hedge	[–]	[–]	[0]
Share price related transactions			
Hedging of share bonus programmes	67	30	–
within fair value hedges	[–]	[–]	[–]
within cash flow hedges	[67]	[30]	[–]
not part of a hedge	[–]	[–]	[–]
Total	38	26	15

Listed below the maturities are the fair values of the financial assets and liabilities that fall due during these periods.

Variable interest rates are adjusted at intervals of less than one year.

To quantify the potential market value losses of all financial instruments, METRO Group uses Value-at-Risk (VaR) calculations in addition to the sensitivity analyses required by IFRS 7. 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 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 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.

Financial instruments utilised include money and capital market products (time deposits, call money, commercial paper and bonds sold as part of ongoing issue programmes) as well as bilateral and syndicated bank loans. 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.

Intragroup cash pooling reduces the amount of debt and optimises the money market and capital market investments of 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 to 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 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 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. METRO Group's maximum default exposure as of the closing date is reflected by the book values of financial assets totalling €6,699 million (previous year: €5,896 million). Further details on the size of the respective book values are listed in no. 40 ("book values and fair values

according to measurement categories"). Cash in hand considered in cash and totalling €109 million (previous year: €156 million) is not susceptible to any default risk.

In the course of the risk management of monetary investments and financial derivatives, minimum creditworthiness requirements and maximum exposure limits have been defined for all business partners of METRO Group. This is based on 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 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 %					
Grade	Moody's	Standard & Poor's	Monetary investments				Derivatives with positive market values	Total
			Germany	Western Europe excl. Germany	Eastern Europe	Asia and others		
Investment grade	Aaa	AAA	5.4	1.0	0.0	0.0	0.0	
	Aa1 to Aa3	AA+ to AA-	15.8	17.2	8.3	0.5	4.4	
	A1 to A3	A+ to A-	18.7	15.6	7.3	0.4	0.6	
	Baa1 to Baa3	BBB+ to BBB-	0.0	0.0	0.3	0.0	0.0	95.5
Non-investment grade	Ba1 to Ba3	BB+ to BB-	0.1	0.0	0.6	0.8	0.0	
	B1 to B3	B+ to B-	0.0	0.0	0.0	0.0	0.0	
	C	C	0.0	0.0	0.0	0.0	0.0	1.5
No rating			0.9	1.8	0.2	0.1	0.0	3.0
Total			40.9	35.6	16.7	1.8	5.0	100.0

The table shows that as of the closing date about 96 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. 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 about 1.5 percent of the total volume.

METRO Group's level of exposure to creditworthiness risks 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 of METRO AG 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 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.

45. Contingent liabilities and other contingencies

€ million	2007	2006
Liabilities from suretyships and guarantees	21	19
Liabilities from guarantee and warranty contracts	96	112
	117	131

The decline in liabilities from guarantee and warranty contracts results mainly from the reduction of guarantees from the disposal of Extra stores in 2005.

46. Other financial obligations

€ million	2007	2006
Purchasing/sourcing commitments	241	109
Other	17	14
	258	123

The increase in purchasing/sourcing commitments mainly concerns the conclusion of new energy supply contracts.

Please see notes nos. 20 and 21 for information on purchasing commitments for other intangible and tangible assets and obligations from finance and operating leases.

47. 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 shareholders. The former shareholders 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 22 May 2003

The 2006 ruling of the District Court of Düsseldorf in the appeals procedure on the legal challenge against the resolutions of the Annual General Meeting in 2003 became effective in 2007. The ruling does not impact the effectiveness and existence of the annual financial statements for 2003.

48. Shareholding

The list of shareholdings of METRO AG pursuant to § 313 of the German Commercial Code is included in a separate list. In accordance to § 313 Section 4 Sentence 2 of the German Commercial Code, this list is part of the notes.

49. Events after the balance sheet date

By contractual agreement, Real SB-Warenhaus GmbH sold its Extra supermarkets to the Rewe Group as of 17 January 2008. The contract is subject to the approval of the merger control authorities.

No events that are of material importance to an assessment of the earnings, financial and asset position of METRO AG and METRO Group occurred by 25 February 2008 (date of release of the accounts for presentation to the Supervisory Board). The Supervisory Board is responsible for controlling the consolidated financial statements and expressing its approval.

50. Notes on related parties

In 2007 and 2006, METRO Group maintained the following business relations to related companies:

€ million	Goods/services provided		Goods/services received	
	2007	2006	2007	2006
Supplies and other services	146	142	0	27

The goods/services received consist primarily of property leases by companies in METRO Group. These properties are owned by companies that are included in the circle of related companies.

The goods/services provided in business relations with related companies in the previous year consist primarily of services provided by Group companies to the Praktiker group for the period until the sale of METRO Group's remaining shareholding in Praktiker in April 2006.

Business relations with related companies are based on contractual agreements providing for arm's length prices. As in 2006, METRO Group had no business relations with related natural persons in the financial year 2007.

51. Share-based compensation for executives

METRO AG has been implementing share-based remuneration programmes since 1999. 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.

Stock option programme (1999–2003)

In the past, the executives of METRO AG and the cross-divisional service companies received options from a **stock option programme**. 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 programme gave participants the right to acquire METRO AG ordinary shares at a previously determined base price for a set period of time. The exercise terms and conditions of the stock options granted stipulated that the company may grant the qualifying beneficiaries cash compensation in lieu of the delivery of new ordinary shares, which is equal to the difference between the opening price and the applicable closing price of Metro shares at the time the options are exercised. This option was used by all beneficiaries of the programme with regard to all subscription rights issued.

The stock options and stock appreciation rights held in the Group during the financial year 2007 changed as follows:

Stock options/stock appreciation rights tranche 2003

	2007		2006	
	Stock options Units	Stock appreciation rights Units	Stock options Units	Stock appreciation rights Units
Outstanding on 1 Jan	30,930	88,580	507,420	1,460,120
Issued	–	–	–	–
Exercised	27,950	87,780	471,020	1,263,650
Expired/forfeited	2,980	800	5,470	107,890
Outstanding 31 Dec	–	–	30,930	88,580

The rights with a maturity of approximately one year could be exercised following the end of a three-year blocking period. The rights could 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 existing in 2007 are listed in the following table:

Tranche	Expiration date	Basis price €	Exercising hurdle €	Stock options		Stock appreciation rights	
				31 Dec 2007 units outstanding	31 Dec 2006 units outstanding	31 Dec 2007 units outstanding	31 Dec 2006 units outstanding
2003	8 weeks after AGM in 2007	26.99	35.09	–	30,930	–	88,580

In the year under review, 27,950 stock options and 87,780 stock appreciation rights were exercised from the 2003 tranche. The average strike price per right was €54.33. A total of 2,980 stock options and 800 stock appreciation rights were forfeited. The contractual residual maturity of the rights from the 2003 tranche ended on 18 July 2007.

Stock bonus programme (2004–2008)

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

The stock bonus programme 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 METRO AG ordinary shares in Xetra trading of Deutsche Börse AG 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. A determination about whether the target price has been reached is made by means of the arithmetic mean of the closing prices of the company's ordinary shares in Xetra trading at Deutsche Börse AG 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 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 average performance of the Metro stock exceeds or lags behind the performance of the relevant stock indices 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 principally granted only if the terms of employment within 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 can be limited to the gross amount of the annual fixed salary. Any potential excess amounts are used to raise the stock bonus during the following three years if the latter is lower than the individually agreed gross annual fixed salary.

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

Stock bonus

Tranche	Due date	Base price €	Target price €	Total target bonus in €
2004	July 2007	37.14	42.71	21,610,000
2005	July 2008	41.60	47.84	21,975,000
2006	July 2009	43.15	49.62	23,750,000
2007	July 2010	61.61	70.85	18,705,000

The target bonus values are based on the assumption that the target prices are attained. The value of the stock bonuses granted in 2007 was €28,138,479 at the time of granting and was calculated by independent experts using recognised financial-mathematical methods (Monte Carlo simulation).

Total expenses on share-based compensation programmes after income from hedging transactions amount to €24 million (previous year: €24 million) in the financial year 2007.

The related provisions as of 31 December 2007 amount to €90 million (previous year: €56 million), including €51 million (previous year: €31 million) with a remaining term of up to one year.

52. Management Board and Supervisory Board

Company expenses on Management Board compensation in 2007

The company's expenses on the remuneration of the active members of the Management Board essentially consist of a fixed salary and performance-based entitlements as well as the prorated expenses on all share-based remuneration with expiry dates in the financial year 2007 or later.

The amount of the variable, performance-based compensation for financial year 2007 results from EVA-based compensation entitlements and thus from the company's performance during the current financial 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 share-based compensation allocated to activities during the financial 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 share-based compensation that applies to the respective financial year is to be disclosed. Accordingly, the stock bonuses granted in 2007 and the share-based compensation granted in previous years must be considered in prorated amounts as long as their expiry dates are in the financial year 2007 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. 9a, 314 Section 1 No. 6a of the German Commercial Code cannot be released. The payment of the bonuses depends on the previously described conditions of the stock option plan.

The company's expenses on the remuneration of active members of the Board of Management in the financial year 2007 amount to €16.8 million (previous year: €15.0 million). This includes €3.4 million (previous year: €3.3 million) in fixed salaries, €7.4 million (previous year: €8.4 million) in performance-based entitlements, €5.8 million (previous year: €3.1 million) in variable entitlements with long-term incentives and €0.2 million (previous year: €0.2 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 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 €22.9 million (previous year: €6.2 million). The cash value of provisions for current pensions and pension entitlements made for this group amounted to €48.4 million (previous year: €54.2 million).

The information released pursuant to § 314 Section 1 No. 6a Sentence 5 to 9 of the German Commercial Code 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 the financial year 2007 amounts to €1.8 million (previous year: €1.7 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.

53. 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	31 Dec 2007	31 Dec 2006
Audit	6	6
Other certification or evaluation services	1	1
Tax consultation services	1	1
Other services	1	0
Total	9	8

Only services that are consistent with the task as the auditor of the annual financial statements and consolidated financial statements of METRO AG were provided.

54. Declaration of compliance with the German Corporate Governance Code

The Management and Supervisory Boards of METRO AG at year's end 2007 made the annual declaration of compliance with the recommendations of the government commission German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act which can be accessed on METRO AG website (www.metrogroup.de) at any time.

55. Election to be exempt from §§ 264 Section 3 and 264 b German Commercial Code

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 of the German Commercial Code, and will thus refrain from disclosing their annual financial statements for 2007, as well as mostly from disclosing their notes and management report (according to the German Commercial Code).

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
3. Schaper Objekt GmbH & Co. Erlangen KG	Düsseldorf
4. Classic Objekt GmbH & Co. Hamburg-Altona KG	Düsseldorf
5. Classic Objekt GmbH & Co. Schwelm 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
DINEA Verwaltungsgesellschaft mbH	Cologne
Dritte real, - Holding GmbH	Alzey
Dritte real, - SB-Warenhaus GmbH	Alzey
emotions GmbH	Cologne
extra Multi-Markt Vermietungs- und Verpachtungs-GmbH & Co. KG	Alzey
extra Multi-Markt Warenvertriebs-GmbH & Co. KG	Sarstedt
extra Objektgesellschaft mbH & Co. KG	Alzey
extra Verbrauchermarkt Verwaltungsgesellschaft mbH	Sarstedt
extra Verbrauchermärkte Management GmbH	Alzey
GEMINI Personalservice 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
Kaufhof Warenhaus AG	Cologne
Kaufhof Warenhaus Rostock GmbH	Rostock
LSZ Betriebsführungsgesellschaft mbH & Co. KG	Alzey
Lust for Life Gastronomie GmbH	Cologne
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 Neunte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
METRO Online GmbH	Düsseldorf
METRO SB-Großmärkte GmbH & Co. KG	Esslingen
METRO SB-Großmärkte GmbH & Co. KG	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 Warenhandelsgesellschaft mbH	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 Solutions 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, - Handels- und Service GmbH & Co. KG	Alzey
real, - Holding GmbH	Alzey
real, - International Holding GmbH	Düsseldorf
real, - Multi-Markt Warenvertriebs-GmbH & Co. KG	Alzey
real, - Objektgesellschaft mbH & Co. KG	Alzey
real, - SB-Warenhaus GmbH	Alzey
SB-Leasing GmbH & Co. KG	Grünwald
SCM Logistik Deutschland GmbH	Kempfen
SCM Logistik Kempfen GmbH	Kempfen
SIG Import GmbH	Düsseldorf
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Schwabhausen
SPORTARENA GmbH	Cologne
Vierte real, - Holding GmbH	Alzey
Vierte real, - SB-Warenhaus GmbH	Alzey

Weinkellerei Thomas Rath GmbH	Düsseldorf
Zweite real,- SB-Warenhaus GmbH	Wuppertal
Zweite real,- Vermietungs- und Verpachtungs-GmbH & Co. KG	Alzey

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
ANDANTE Grundstücksverwaltungsgesellschaft mbH	Langenburg
ARKON Grundbesitzverwaltung GmbH	Saarbrücken
ASH Grundstücksverwaltung XXX GmbH	Saarbrücken
ASSET Grundbesitz GmbH	Cologne
ASSET Immobilienbeteiligungen GmbH	Saarbrücken
ASSET Verwaltungs-GmbH	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Aachen II KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Aachen, Adalbertstraße 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, Acherstraße 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-Kalk, Kalker Hauptstraße 118-122 KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Leipzig 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, Pelkovenstraße 155 KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Nürnberg, Königstraße 42-52 KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Nürnberg, Roritzerstraße KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Oberhausen Centroallee KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Offenbach KG	Saarbrücken

ASSET Verwaltungs-GmbH & Co. Objekt Saarbrücken, Bahnhofstraße 82-92, 98-100 KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Siegburg KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Stuttgart, Königstraße 6 KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Stuttgart-Bad Cannstadt, Badstraße, Marktstraße 3 KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Wetzlar KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Würzburg KG	Saarbrücken
ASSET Zweite Immobilienbeteiligungen GmbH	Düsseldorf
Bassa Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
Batra Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
BAUGRU Immobilien-Beteiligungsgesellschaft mbH & Co. Grundstücksverwaltung KG	Saarbrücken
Blabert Grundstücksverwaltungsgesellschaft mbH	Mainz
BLK Grundstücksverwaltung GmbH	Saarbrücken
Deutsche SB-Kauf GmbH & Co. KG	Saarbrücken
DORINA Immobilien-Vermietungsgesellschaft mbH	Cologne
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Saarbrücken
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH	Saarbrücken
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH & Co. Vermietungs-KG	Saarbrücken
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Saarbrücken
Gewerbebau Flensburg GmbH & Co. Objekt Fachmarktzentrum KG	Saarbrücken
GKF Saar-Grund GbR	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH	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. 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 Bremen Ihlpohl 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. 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-Senking KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hillesheim 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 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 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 Beteiligungs GmbH	Saarbrücken
Kaufhalle GmbH	Saarbrücken
Kaufhof Warenhaus AG & Co. KG i.L.	Cologne
Kaufhof Warenhaus am Alex GmbH	Berlin
Kaufhof Warenhaus Neubrandenburg GmbH	Saarbrücken
MDH Secundus GmbH & Co. KG	Düsseldorf
MEM METRO Group Energy Production & Management GmbH ¹	Düsseldorf
MES METRO Group Energy Solutions GmbH	Böblingen
METRO Group Asset Management GmbH	Saarbrücken
METRO Group Asset Management GmbH & Co. KG	Saarbrücken
METRO Group Asset Management Services GmbH	Saarbrücken
METRO Leasing GmbH	Saarbrücken
PIL Grundstücksverwaltung GmbH	Saarbrücken
Renate Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
RUDU Verwaltungsgesellschaft mbH	Düsseldorf
RULIM Verwaltung GmbH & Co. Objekt Ratingen KG	Schwabhausen
Saalbau-Verein Ulm GmbH	Saarbrücken
Schaper Grundbesitzverwaltungsgesellschaft mbH	Saarbrücken
Secundus Grundstücksverwertungs-GmbH & Co. Objekt Stuttgart-Königstraße KG	Cologne
SIXPACK Immobilien Beteiligungs GmbH	Düsseldorf
STW Grundstücksverwaltung GmbH	Saarbrücken
TANDOS Grundstücks-Verwaltungsgesellschaft mbH	Saarbrücken
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
Zentra Beteiligungsgesellschaft mit beschränkter Haftung	Saarbrücken
Zentra-Grundstücksgesellschaft mbH	Saarbrücken

¹The company utilises the exemptive option pursuant to § 264 Section 3 of the German Commercial Code only for the management report

56. Overview of major fully consolidated 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	4,934
METRO Cash & Carry France S.A.S.	Nanterre, France	100.00	3,846
METRO Cash & Carry OOO	Moscow, Russia	100.00	2,548
Makro Cash and Carry Polska SA	Warsaw, Poland	100.00	1,955
METRO Italia Cash and Carry S. p. A.	San Donato Milanese, Italy	100.00	1,926
METRO CASH & CARRY ROMANIA SRL	Bucharest, Romania	85.00	1,592
Makro Autoservicio Mayorista S. A.	Madrid, Spain	100.00	1,417
Makro Cash & Carry UK Holding Limited	Manchester, United Kingdom	100.00	1,350
METRO Distributie Nederland B. V.	Diemen, Netherlands	100.00	1,329
MAKRO Cash & Carry Belgium NV	Antwerp, Belgium	100.00	1,281
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	100.00	1,269
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	90.00	914
METRO Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul, Turkey	100.00	842
Hypermarkets			
real, - SB-Warenhaus GmbH ²	Alzey, Germany	100.00	6,970
Zweite real, - SB-Warenhaus GmbH	Wuppertal, Germany	100.00	1,278
Consumer electronics centres			
Media-Saturn-Holding GmbH	Ingolstadt, Germany	75.41	8,016
Mediamarket S. p. A.	Curno, Italy	75.41	2,077
Media Markt Madrid S.A.	Madrid, Spain	75.41	1,792
Media Saturn Holding Polska Sp. z o.o.	Warsaw, Poland	75.41	998
Media-Saturn-Holding Nederl. B. V.	Rotterdam, Netherlands	75.41	967
Media - Saturn Beteiligungsgesellschaft mbH	Vösendorf, Austria	75.41	881
Media Markt Management und Service AG	Geroldswil, Switzerland	75.41	594
Media Saturn France SCS	Ris Orangis, France	75.41	443
Media-Saturn Holding Belgique SA	Brussels, Belgium	75.41	420
Department stores			
Kaufhof Warenhaus AG	Cologne, Germany	100.00	3,174
INNOVATION S.A.	Brussels, Belgium	100.00	316
Other companies			
MGB METRO Group Buying HK Limited	Hong Kong, China	100.00	957
Adler Modemärkte GmbH	Haibach, Germany	100.00	446
DINEA Gastronomie GmbH	Cologne, Germany	100.00	208
MGS METRO Group Solutions GmbH	Düsseldorf, Germany	100.00	0
METRO Group Asset Management GmbH & Co. KG	Saarbrücken, Germany	98.04	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

¹Including consolidated national subsidiaries

²Excluding Extra sales

57. CORPORATE BOARDS OF METRO AG AND THEIR MANDATES¹

Members of the Supervisory Board

Dr. Eckhard Cordes (Chairman)²

until 31 October 2007 – Chairman of the Management Board of Franz Haniel & Cie. GmbH

a) Celesio AG (Chairman)

Rheinmetall Aktiengesellschaft
TAKKT AG

b) FIEGE Holding Stiftung & Co. KG –

Advisory Board (Chairman), until 30 October 2007
Air Berlin PLC, London, United Kingdom –
Board of Directors
Aktiebolaget SKF, Gothenburg, Sweden –
Board of Directors

Franz M. Haniel (Chairman)

since 1 November 2007, since 4 November 2007 Chairman
Chairman of the Supervisory Board of
Franz Haniel & Cie. GmbH

a) BMW AG

Delton AG (Vice Chairman)
Franz Haniel & Cie. GmbH (Chairman)
Heraeus Holding GmbH
secunet Security Networks AG

b) None

Dr. Wulf H. Bernotat

Chairman of the Board of Management of E.ON AG

a) Allianz SE

Bertelsmann AG
E.ON Energie AG (Chairman)
E.ON Ruhrgas AG (Chairman)
Evonik Industries AG (Chairman), until 30 November 2007
RAG AG (Chairman), until 30 November 2007

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, United Kingdom –
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 Industrierwerke GmbH (Chairman)

b) Bucerius/WHU MLB gGmbH – Supervisory Board
(Vice Chairman)

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

Hubert Frieling

since 20 July 2007

Section Head of Payroll Accounting at
Real SB-Warenhaus GmbH

a) None

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, until 1 March 2007
Der Grüne Punkt – Duales System Deutschland GmbH –
Supervisory Board (Chairman), until 19 October 2007

¹Status of the information on memberships of other statutory supervisory boards of domestic companies and memberships of comparable German and foreign bodies of business enterprises: 31 January 2008

²The information on Dr. Cordes 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

BHS Verwaltungs AG, Baar, Switzerland –
Board of Directors (President)
Bürgschaftsbank Bayern GmbH – Board of Directors
(first Vice Chairman)

Jürgen Hennig

Department Head at Metro Großhandelsgesellschaft mbH

- a) None
- b) None

Anja Kiehne-Neuberg¹

until 30 June 2007

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
Bank Julius Bär & Co. AG, Zurich, Switzerland –
Board of Directors
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, Zurich, Switzerland –
Board of Directors (Vice President)
LB (Swiss) Privatbank AG, Zurich, Switzerland –
Board of Directors
Peter Steiner Holding AG, Zurich, Switzerland –
Board of Directors
Supra Holding AG, Baar, Switzerland – Board of Directors
Suprapart AG, Baar, Switzerland – Board of Directors,
until 19 June 2007

Valora Holding AG, Bern, Switzerland –
Board of Directors, until 26 April 2007
Travel Charme Hotels & Resorts Holding AG, Zurich,
Switzerland – Board of Directors (President),
since 17 January 2008
Julius Bär Holding AG, Zurich, 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, until 6 June 2007
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)
Alstom S.A. – Conseil d'Administration, since 26 June 2007

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 Entwicklungs-
gesellschaft mbH, until 21 June 2007
MAN Ferrostaal AG
- b) None

¹The information on Ms. Kiehne-Neuberg relates to the date of her 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

Dr.-Ing. e. h. Bernd Pischetsrieder

Consultant to the Board of Management of Volkswagen AG

- a) Dresdner Bank AG
Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft
- b) Scania AB, Södertälje, Sweden – Board of Directors
(Chairman), until 3 May 2007
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 Aktiengesellschaft

- a) Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft (Chairman)
- b) UniCredit S.p.A., Genoa, Italy – Board of Directors

Dr. Manfred Schneider

Chairman of the Supervisory Board of Bayer AG

- a) Bayer AG (Chairman)
Daimler AG
Linde AG (Chairman)
RWE AG
TUI AG
- b) None

Peter Stieger

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**

Franz M. Haniel (Chairman), since 4 November 2007
Dr. Eckhard Cordes (Chairman), until 31 October 2007
Klaus Bruns (Vice Chairman)
Werner Klockhaus
Dr. Manfred Schneider

Personnel Committee (formerly Personnel and Nominations Committee)

Franz M. Haniel (Chairman), since 4 November 2007
Dr. Eckhard Cordes (Chairman), until 31 October 2007
Klaus Bruns (Vice Chairman)
Werner Klockhaus
Dr. Manfred Schneider

Accounting and Audit Committee

Dr. jur. Hans-Jürgen Schinzler
(Chairman since 10 December 2007)
Dr. Eckhard Cordes (Chairman), until 31 October 2007
Klaus Bruns (Vice Chairman)
Ulrich Dalibor
Prof. Dr. Dr. h. c. mult. Erich Greipl
Franz M. Haniel, since 4 November 2007
Anja Kiehne-Neuberg, until 30 June 2007
Peter Stieger, since 31 July 2007

Nominations Committee

Franz M. Haniel (Chairman), since 10 December 2007
Dr.-Ing. e. h. Bernd Pischetsrieder, since 10 December 2007
Dr. jur. Hans-Jürgen Schinzler, since 10 December 2007

Mediation Committee pursuant to § 27 Section 3 Co-determination Act

Franz M. Haniel (Chairman), since 4 November 2007
Dr. Eckhard Cordes (Chairman), until 31 October 2007
Klaus Bruns (Vice Chairman)
Prof. Dr. Dr. h. c. mult. Erich Greipl
Werner Klockhaus

Members of the Management Board

Dr. Eckhard Cordes (Chairman and CEO)

since 1 November 2007

a) Celesio AG (Chairman)

Rheinmetall Aktiengesellschaft, until 31 December 2007
TAKKT AG

Kaufhof Warenhaus AG (Chairman),
since 1 November 2007

Real Holding GmbH, since 1 November 2007

- b) Air Berlin PLC, London, United Kingdom –
Board of Directors, resigned on 30 April 2008
Aktiebolaget SKF, Gothenburg, Sweden –
Board of Directors, resigned on 16 April 2008

Dr. Hans-Joachim Körber (Chairman)¹

until 31 October 2007

a) Bertelsmann AG

Kaufhof Warenhaus AG (Chairman), until 31 October 2007
Real Holding GmbH, until 31 October 2007

- b) LP Holding GmbH – Supervisory Board,
until 31 October 2007
Air Berlin PLC, London, United Kingdom –
Board of Directors
Skandinaviska Enskilda Banken AB, Stockholm,
Sweden – Board of Directors

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)
TÜV SÜD AG

- b) Extra Verbrauchermärkte Management GmbH –
Advisory Board (Chairman)
METRO Group Asset Management GmbH & Co. KG –
Shareholders' Committee (Chairman)

MGP METRO Group Account Processing International AG,
Baar, Switzerland – Board of Directors (President),
until 13 November 2007

Wagner International AG, Altstätten, Switzerland –
Board of Directors

Tertia Handelsbeteiligungsgesellschaft mbH –
Supervisory Board (Chairman)

LP Holding GmbH – Supervisory Board, since 1 January 2008

Frans W. H. Muller

- a) Dinea Gastronomie GmbH (Chairman)
Real Holding GmbH

- b) Metro Distributie Nederland B.V. – Raad van Commissarissen
Metro International AG, Baar, Switzerland –
Board of Directors, since 2 February 2007

Thomas Unger

- a) Real Holding GmbH

- b) Assevermag AG, Baar, Switzerland –
Board of Directors (President)
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, until 1 June 2007
Metro Reinsurance B.V., Amsterdam, Netherlands –
Raad van Commissarissen
MGP METRO Group Account Processing International AG,
Baar, Switzerland – Board of Directors (President),
since 13 November 2007

25 February 2008

THE MANAGEMENT BOARD



Dr. Cordes



Muller



Mierdorf



Unger

¹The information on Dr. Körber relates to the date of his resignation from the Management Board

a) Member of other statutory supervisory boards of domestic companies

b) Member of comparable German and foreign boards of business enterprises

STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

25 February 2008



Dr. Cordes



Mierdorf



Muller



Unger

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 1 January 2007 to 31 December 2007. 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 § 315a Section 1 of the 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 of the German Commercial Code and generally accepted German 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 § 315a Section 1 of the German Commercial Code 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, 27 February 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Siemes
Wirtschaftsprüfer (Auditor)



Dr. Böttcher
Wirtschaftsprüfer (Auditor)

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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 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

The 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 practised within METRO Group augment the fundamental structure specified by German Stock Corporation Law.

The Management Board of METRO AG has four members who are responsible for the following areas:

Dr. Eckhard Cordes
(Chairman and CEO)

Investor Relations
Corporate Communications
Internal Audit
Strategy & Corporate Development
Human Resources Development/Executive Staff
Legal and Projects
Public Affairs & Associations

Zygmunt Mierdorf
(Chief Information Officer,
Executive Vice President
Human Resources)

Human Resources and Social Affairs
Compensation & Benefits
Procurement/Import
Logistics
IT
E-business
Environment

Further information on the cooperation between the Management Board and the Supervisory Board is available in the Supervisory Board's report

to the same degree that it is included in decisions about important measures. Supervisory Board approval provisions for certain issues are specified in the Management Board by-laws and the Supervisory Board by-laws.

Committees support the Supervisory Board in its work, contributing greatly to the overall board's efficiency. Instead of the previous four committees, the Supervisory Board of METRO AG now has five committees. In the financial year 2007, a Nominations Committee was newly established, which assumed duties previously held by the shareholder representatives in the Personnel Committee.

The Supervisory Board's report provides details about the working relationship between METRO AG's Management Board and Supervisory Board in the financial year 2007.

Supervisory Board Presidential Committee

When necessary, the Presidential Committee is called on to prepare Supervisory Board meetings. In addition, it addresses the following:

- resolutions when rapid determination is needed to avoid significant disadvantages and the Supervisory Board cannot initiate them, and
- special issues the Supervisory Board assigns to the Presidential Committee via resolution.

The review of corporate governance principles and their application was assigned to the duties of the Accounting and Audit Committee in March 2008.

The by-laws of the Supervisory Board of METRO AG call for the Chairman of the Supervisory Board to head the Presidential Committee.

Personnel Committee

The duties of the Personnel Committee (formerly Personnel and Nominations Committee) include personnel matters of the Management Board members, including succession planning, with 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.

METRO AG Supervisory Board by-laws also call for the Chairman of the Supervisory Board to chair the Personnel Committee.

Accounting and Audit Committee

The Accounting and Audit Committee supports the Supervisory Board particularly in matters pertaining to accounting, corporate governance, dependency controlling as well as audit, compliance and risk management. The committee's key duties include:

- monitoring the accounting process, auditing the annual and consolidated financial statements including the respective management reports and discussing the quarterly and half-year reports;
- supporting the Supervisory Board in commissioning the audit assignment to the auditors and preparing the fee agreement; the Supervisory Board's nomination of the auditor at the Annual General Meeting is based on a recommendation made by the Accounting and Audit Committee;
- monitoring the audit, in particular scrutinising the impartiality required of the auditor and the supplemental services provided by the auditor as well as determining the audit's focus;
- handling issues related to dependency controlling with regard to METRO AG and, where necessary, reviewing the dependency report;
- monitoring the compliance system, the effectiveness of the internal risk-management system and internal auditing as well as the internal control systems;
- handling issues related to corporate governance, in particular those pertaining to the German Corporate Governance Code.

The chairman of the Accounting and Audit Committee is elected by its members. He or she must be impartial and possess professional knowledge in the areas of accounting and auditing as well as internal control measures ("financial expert"). The chairmanship of the Accounting and Audit Committee should not be assigned to a former member of the Management Board. In the interest of good corporate governance, the chairman of the Supervisory Board should also not serve as chairman or vice chairman of the Accounting and Audit Committee at the same time.

Nominations Committee

The shareholder representatives on the Supervisory Board of METRO AG are elected at the Annual General Meeting. The Supervisory Board submits proposals for election with the support of the Nominations Committee. It regularly selects for suitable candidates and makes recommendations to the Supervisory Board.

The Nominations Committee is comprised exclusively of shareholder representatives. It consists of the Supervisory Board chairman as well as two impartial shareholder representatives. With this appointment policy, the Supervisory Board of METRO AG underscored its commitment in the financial year 2007 to take advice from a committee tied to the interests of all shareholders when determining suitable candidates for Supervisory Board membership.

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

METRO AG Management and Supervisory Boards made the following declaration of compliance at the end of the financial year 2007 pursuant to § 161 of the German Stock Corporation Act. This can be accessed by shareholders on the website www.metrogroup.de at any time.

"The Management and Supervisory Boards of METRO AG declare that the recommendations of the Government Commission on the German Corporate Governance Code in its version of 14 June 2007 published by the Federal Ministry of Justice in the official part of the electronic Federal Bulletin are complied with.

Further, the Management and Supervisory Boards declare that the recommendations made by the Government Commission on the German Corporate Governance Code in its applicable version have been fully complied with since the last declaration of compliance of December 2006."

The declaration of compliance with the German Corporate Governance Code can be found online at www.metrogroup.de under the heading Company/Corporate Governance

The 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 declaration 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 past financial year, there were only four points that were not implemented or not fully implemented:

1. Subsection 2.3.4 of the code calls for enabling shareholders to follow the Annual General Meeting via modern communication media such as the Internet. As in previous years, METRO AG carried only the speech by the chairman of the Management Board in the financial year 2007. Further proceedings from the Annual General Meeting were not broadcast over the Internet. This practice will be continued in the financial year 2008. It conforms to the legal objective, under which the Annual

General Meeting is a gathering that people attend in person. Shareholders exercise their rights at the Annual General Meeting, which requires the actual gathering of shareholders or their authorised representatives (proxy voters) at the meeting site. It is our strong belief that the physical presence of the Management Board, the Supervisory Board and shareholders supports the Annual General Meeting's central mission as the corporate decision-making body. Virtual attendance by shareholders, in contrast, does not appear to improve corporate governance at METRO AG.

2. Subsection 3.6 of the code applies to co-determined supervisory boards. It calls for representatives of shareholders 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. Since summer 2007, the German Corporate Governance Code has called for agreeing on rules to accompany Management Board contracts at the point they are concluded that limit payments to a Management Board member if the board member's appointment is terminated prematurely without good cause. For example, if Management Board membership were to end after one year, the departing board member would not be entitled to the full payment of a work contract concluded for a term of five years.

The implementation of the new suggestions in subsection 4.2.3, paragraph 4 and the ensuing suggestion in paragraph 5 of the German Corporate Governance Code entails substantial legal and practical difficulties. The Supervisory Board's Personnel Committee therefore decided in 2007 not to implement the code's new suggestion and will in 2008 initially continue to observe the discussion about its application.

4. Contrary to the suggestion in subsection 5.2 of the German Corporate Governance Code, the Chairman of the Supervisory Board of METRO AG, Dr. Eckhard Cordes, in office until 31 October 2007, was also the elected chairman of the Supervisory Board's Accounting and Audit Committee. His successor as Chairman of the Supervisory Board, Franz M. Haniel, does not chair the Accounting and Audit Committee, which means the company has also complied with the suggestion of subsection 5.2 of the code since the end of 2007.

Shareholders can find comprehensive information about METRO Group on our website at www.metrogroup.de

TRANSPARENCY AND SERVICE

The website www.metrogroup.de, available in German and English, serves as an important information source for METRO AG shareholders, 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 statements and other publications 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-year reports, the annual business press confer-

ence, analysts' meeting and Annual General Meeting) appear on the website in a financial calendar at regular intervals in a timely fashion. In addition, shareholders 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 shareholders 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 shareholders exercise their individual rights at the Annual General Meeting, documents and information for each Annual General Meeting are made available ahead of time on METRO Group's website. This information includes, in particular, the latest annual report and the Annual General Meeting's agenda.

The registration and legitimisation procedure for METRO AG's Annual General Meeting is in line with German Stock Corporation Law and international standards. Each shareholder 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 share ownership in German or English from the institution maintaining the securities deposit account satisfies this requirement. Deposit of shares is not necessary. Proof of share 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 at the address specified 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.

Shareholders who do not wish to or are unable to attend the Annual General Meeting in person, e.g. a bank or a shareholder association, may exercise their voting rights through a proxy. The necessary voting-right authorisation can be issued in all forms allowed under Stock Corporation Law, in any case, in writing or by fax. Shareholders can also authorise company-appointed proxies to exercise their voting rights (known as "proxy voting"). In addition to voting-right authorisations to such institutions as banks or shareholders' 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 in writing or by fax. METRO AG proxies are also available for assignment of voting rights during the Annual General Meeting for those shareholders who initially participate in an Annual General Meeting but who want to leave early without forgoing the exercise of their voting rights; naturally, the right to appoint other proxies to exercise one's voting rights is not affected by this. The details on proxy voting are listed in the invitation to each Annual General Meeting.

In the interest of our shareholders, 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.

SHARE OWNERSHIP BY MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

In line with the recommendations of the German Corporate Governance Code, ownership of METRO AG shares or related financial instruments by members of the Management or Supervisory Boards is disclosed when it directly or indirectly exceeds 1 percent of the shares issued by METRO AG. If the total share ownership of all members of the Management and Supervisory Boards exceeds 1 percent of the shares 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 the financial year 2007.

RISK MANAGEMENT: A CORE ELEMENT OF CORPORATE GOVERNANCE AT METRO GROUP

METRO Group is a high-growth company to which an international market presents many opportunities. Sustainable growth, however, is possible only when those responsible recognise 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 METRO Group.

The Management and Supervisory Boards of METRO AG regularly discuss the risk management system and its ongoing development.

COMPLIANCE: ADHERENCE TO LEGAL STIPULATIONS AND STANDARDS OF CONDUCT

The activities of METRO Group are subject to manifold laws, regulations and self-imposed standards of conduct. In the financial year 2007, the existing measures to comply with these regulations were combined and added to a Group-wide compliance programme. The goal of the compliance programme is to support all METRO Group employees in complying with relevant laws, regulations and standards of conduct. For this purpose, clearly defined measures were established. Their implementation is organised and coordinated by the compliance officers of METRO Group.

The compliance programme focuses on conflicts of interests, unlawful acceptance and awarding of benefits, appropriate handling of corporate information, antitrust laws and prohibitions, anti-discrimination and respect for fair terms and conditions of employment as well as compliance with applicable laws and adherence to METRO Group guidelines. Key elements of the compliance programme include information events, training measures and written business principles that serve as practical guidelines for handling concrete business cases. Besides the compliance officers, METRO Group employees can anonymously turn to an ombudsman in cases of doubt.

In line with the suggestions of the German Corporate Governance Code, continued development of the compliance organisation is also monitored by the Supervisory Board's Accounting and Audit Committee.

ACCOUNTS AUDIT

At the Annual General Meeting of METRO AG on 23 May 2007, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG) was elected to be the auditor for the financial year 2007. The Supervisory Board's commissioning of the contract to carry out the accounts audit was prepared by the Accounting and Audit Committee and considered the suggestions listed in subsection 7.2 of the German Corporate Governance Code.

Throughout the audit, KPMG made no reports to the Supervisory Board regarding grounds for disqualification or conflicts. 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

METRO AG Management and Supervisory Boards discuss at least once a year – most recently during the Supervisory Board meeting in December 2007, the corporate governance practised within METRO Group. The starting point of these discussions is implementing the German Corporate Governance Code suggestions. In addition, a METRO AG corporate governance officer supervises the company's corporate governance practices. No deviations from the German Corporate Governance Code suggestions were found for the financial year 2007.

Continuing to develop METRO AG corporate governance practice will also be a focal point of the Management and Supervisory Boards activity in the financial year 2008.

REMUNERATION REPORT 2007

The remuneration report for 2007 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 adopted its contents in full. It does not appear here in order to avoid repeating the same information.

The Remuneration Report is found in chapter X of the Group management report.

In-depth information on the topic of corporate governance at METRO Group can be found on the website www.metrogroup.de under the heading "Company".

SUPPLEMENTARY INFORMATION

FINANCIAL CALENDAR

Annual business press conference/analysts' meeting	18 March 2008
Quarterly report Q1	29 April 2008
Annual General Meeting	16 May 2008
Half-year report H1/Q2	31 July 2008
Quarterly report Q3	30 October 2008

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METRO Group in figures¹

	2007 € million	2006 ³ € million	2005 € million	2004 ² € million	2003 € million	2002 € million	2001 € million
Key financial figures							
Sales (net)	64,337	58,279	55,722	53,475	53,595	51,526	49,522
EBITDA	3,381	3,162 ⁴	2,938	2,844	2,615	2,416	2,383
EBIT ⁵	2,098	1,928 ⁴	1,738	1,723	1,590	1,427	1,378
EBIT margin ⁵ %	3.3	3.3 ⁴	3.1	3.2	3.0	2.8	2.8
Earnings before taxes	1,579	1,564	1,358	1,260	817	830	673
Net profit for the period ⁶	983	1,196	649	927	571	502	449
thereof from continuing operations	1,011	1,079	618	858	571	502	449
thereof allocable to shareholders of METRO AG ⁶	825	1,059	531	828	496	443	401
Investments	2,162	3,011	2,138	1,744	1,837	1,836	1,933
Total assets ⁶	33,872	32,190	28,767	28,352	26,580	22,923	22,320
Equity	6,509	6,050	5,313	4,849	4,349	4,246	4,242
Equity ratio %	19.2	18.8	18.5	17.1	16.4	18.5	19.0
Return on equity after taxes ⁷ %	15.1	19.8	12.2	19.1	19.4	18.0	16.4
Earnings per share ^{6, 8} €	2.52	3.24	1.63	2.53	2.35	2.15	1.99
thereof from continuing operations €	2.61	2.88	1.54	2.32	2.35	2.15	1.99
thereof from discontinued operations €	(0.09)	0.36	0.09	0.21	–	–	–
Distribution							
Dividend per ordinary share €	1.18 ⁹	1.12	1.02	1.02	1.02	1.02	1.02
Dividend per preference share €	1.298 ⁹	1.232	1.122	1.122	1.122	1.122	1.122
Operating data							
Employees (annual average by headcount)	281,455	253,117	246,875	231,841	242,010	235,283	230,848
Number of locations	2,221	2,119	2,171	2,110	2,370	2,310	2,249
Selling space (1,000 m ²)	12,094	11,481	10,518	9,941	11,436	10,939	10,519

¹From 2004, only continuing operations (discontinued operations: Praktiker in 2005, Praktiker and Extra in 2006, Extra in 2007); no adjustment of amounts for 2001 to 2003

²Adjustment due to the application of new accounting methods in 2005

³Adjustment of previous year's amounts due to the preliminary accounting for business combinations in 2006

⁴In 2006 adjusted for the effects from the repositioning of Real, including the acquisition of the Wal-Mart Germany group and the Polish Géant business; €80 million was adjusted in EBIT/EBITDA, of which Real accounted for €51 million and other companies/consolidations for €29 million

⁵EBITA until 2003

⁶Including discontinued operations

⁷Until 2003 before goodwill amortisation

⁸After minority interests

⁹Subject to approval by the Annual General Meeting

Disclaimer

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

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